



Economics Research Associates

Report

**Honey Creek Resort State
Park – Market and Financial
Analysis**

Submitted to

**State of Iowa, Department
of Natural Resources**

January 2004

ERA Project Number: 15165

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1 INTRODUCTION

The Conservation and Recreation Division of the Iowa Department of Natural Resources (INDR) is developing a “state park resort” that will provide destination-style recreational facilities and activities for day-use, vacations, meetings and conferences.

The Iowa Department of Natural Resources retained Economics Research Associates (ERA) in association with SmithGroup JJR to execute several tasks.

1. Conduct a market analysis
2. Develop financial proformas
3. Assist in contacting private developers, investors and managers
4. Assist in negotiations to establish successful long-term agreements between the State of Iowa and partners from the private sector

Planning for the proposed resort began in October 2000 with a market survey for destination parks. By January 2001 the decision was made to develop the park at a site in south central Iowa. In July 2002 SmithGroup JJR finished the master plan in which the major elements as well as the park layout was defined.

The 850-acre proposed resort is located in Appanoose County, approximately 40 miles east of I-35 and 75 miles south-east of Des Moines in south central Iowa, ashore Lake Rathbun, a reservoir managed and built by US Army Corps of Engineers. Adjacent to the proposed resort is the already existing Honey Creek State Park, which provided the name. The proposed resort caters to a different market segment than the existing state park, which provides only recreational day-use activities and camping. The proposed resort will be part of multiple recreational areas currently available on Lake Rathbun Lake. There are ten boat ramps, three swimming beaches, two marinas, numerous picnic facilities and over five hundred campsites located in seven additional parks located on Rathbun Lake. Facilities at Honey Creek State Park include 150 modern campsites that are open year-round.

The proposed Honey Creek Resort State Park features the following elements:

- a lodge with conference facilities
- cabins
- an upscale RV campground
- 18-hole golf course
- indoor/outdoor aquatic recreation center (adjacent to the lodge)
- equestrian center
- park activity center
- a boat launch with docks for park visitors
- day-use area and multi-use trails

The objective of this report is to define the market feasibility and market performance of the proposed resort and its elements at a level of detail necessary to support the pro forma analysis and forecast the financial viability of the development.

2 MARKET ANALYSIS

2.1 Available Markets

In order to conduct an accurate market analysis and project the attendance potential, ERA established a trade area for the proposed Honey Creek Resort State Park based on results from the State Park and Recreation Area Users Survey, that was conducted by the Center of Social Behavior and Behavioral Research at the University of Northern Iowa in addition to ERA's experience with comparable resort projects.

The trade area has a radius of 270 miles around the proposed resort (approximately 4 to 5 hour drive). It covers 17 metro areas in Iowa and parts of six neighboring States.

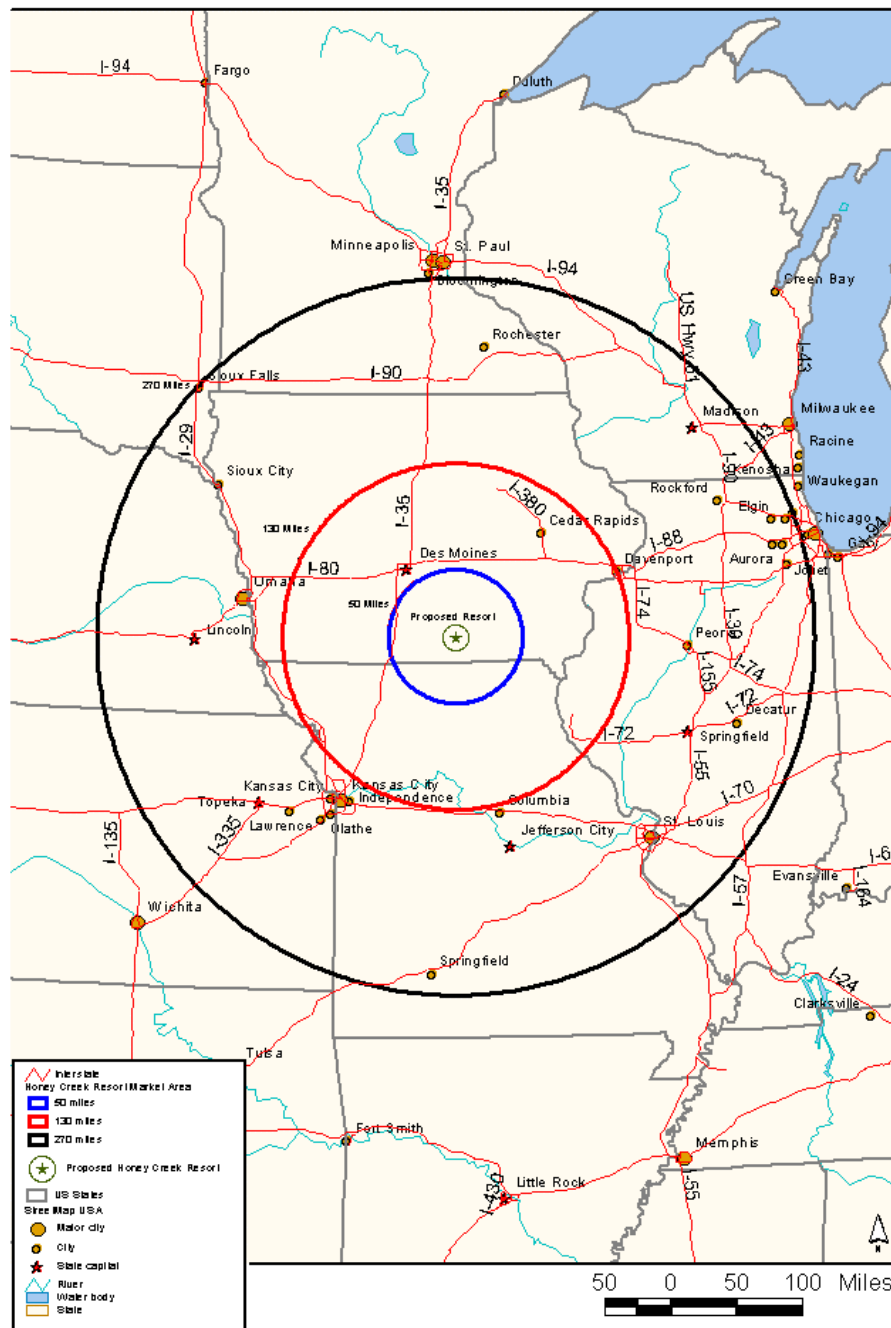
The trade area is divided into three markets as defined below:

1. Resident Market, 0 – 50 Miles around the project site (0-1 hour drive),
2. Primary Visitor Market, 50 –130 Miles around the project site (1-2.5 hour drive),
3. Secondary Visitor Market, 130 – 270 Miles around the project site (2.5 to 5 hour drive).

This segmentation allows for better attendance projections for the various proposed development components at the resort. For example, the resident market is expected to have higher usage of day use activities such as hiking, fishing and picnicking whereas the visitor markets are expected to more significantly impact the lodging and conference facilities.

The following map shows the site of the proposed resort and it's respective trade areas.

Exhibit 1. Trade Area Map



In 2003, total population in the entire trade area is approximately 19.8 million with a projected growth of 4.5% through 2008. The number of households is estimated to grow from 7.6 million to 8.1 million during the same period, a 6 percent increase. The average household size in the market area is 2.4 persons per household. The following table summarizes demographics in the trade area.

| Table 1. Demographics Honey Creek Resort Market | | | |
|--|-------------|-------------|---------------|
| | 2003 | 2008 | Change |
| Population | 19,809,051 | 20,691,668 | +882,617 |
| Households | 7,627,605 | 8,081,733 | +454,128 |
| Household Families | 5,139,240 | 5,427,834 | +288,594 |
| <i>Source: Business Analyst®</i> | | | |

Number of household families is projected to grow by 5.6%, slightly lower than total number of households over the same time. The age distribution of the population shows a slight trend toward an older population in the projected five-year period from 2003 to 2008. The following table shows population by age group.

| Table 2. Trade Area – Population By Age Group | | | |
|--|-------------|-------------|---------------|
| Age Group | 2003 | 2008 | Change |
| 0 – 4 | 1,317,161 | 1,354,968 | 37,807 |
| 5 – 14 | 2,792,036 | 2,782,899 | -9,137 |
| 15 – 24 | 2,913,522 | 3,049,825 | 136,303 |
| 25 – 34 | 2,536,586 | 2,536,527 | -59 |
| 35 – 44 | 3,008,423 | 2,853,471 | -154,953 |
| 45 – 54 | 2,841,017 | 3,176,150 | 335,133 |
| 55 – 64 | 1,867,091 | 2,278,653 | 411,562 |
| 65+ | 2,533,216 | 2,659,177 | 125,960 |
| <i>Source: Business Analyst®</i> | | | |

In 2003, the number of households with an annual household income between \$15,000 and \$34,999 is the largest, with 23.2% of all households. In 2008, the income group with \$50,000 to \$74,999 is projected to have the most number of households with 20.8% of all households. The overall trend in household income for the market area shows an increase in the number of high-income households and a decrease in the number of the mid and low income households. By 2008, households with an annual income over \$75,000 are projected to account for 35% of all households compared to 27% in 2003. The following table shows number of households by income distribution.

| Table 3. Trade Area – Income by Income Group | | | |
|---|-------------|-------------|---------------|
| Income Group | 2003 | 2008 | Change |
| \$0 – 14,999 | 908,627 | 784,539 | -124,087 |
| \$15,000 – 34,999 | 1,776,343 | 1,561,848 | -214,495 |
| \$35,000 – 49,999 | 1,285,516 | 1,205,986 | -79,530 |
| \$50,000 – 74,999 | 1,604,269 | 1,688,974 | 84,705 |
| \$75,000 – 99,999 | 931,412 | 1,100,366 | 168,954 |
| \$100,000 – 149,000 | 743,090 | 1,110,315 | 367,225 |
| \$150,000+ | 378,300 | 629,661 | 251,361 |
| <i>Source: Business Analyst®</i> | | | |

In Table 4, the population distribution by geographic area in the Midwest in which the trade area is located is described.

| Table 4. Urban/rural and metropolitan/non-metropolitan population | | |
|--|---------------|----------------|
| Geographic area | Number | Percent |
| Midwest | 64,392,776 | 100.0 |
| Urban | 48,104,672 | 74.7 |
| Rural | 16,288,104 | 25.3 |
| Metropolitan | 47,505,299 | 73.8 |
| Non-Metropolitan | 16,887,477 | 26.2 |

Source: U.S. Census Bureau, Census 2000

According to the Consumer Expenditure Survey 2001, published by the Bureau of Labor Statistics, the average annual household expenditure in the Midwest was \$39,548. Of this 7% or \$2,800 was spent away from home. By far most, 81.6%, of the expenditures away from home were spent on food and alcoholic beverages. The remainder: 9.5% on lodging, 4.7% on other travel related items like gasoline, and 4.2% on fees, admissions and rentals.

Due to the rural character of the resident market area, ERA estimates that expenditures away from home in the primary and secondary markets with metro areas are higher. The amount of expenditures in this segment is expected to have remained about the same for 2003 with incremental increases in the next few years as the economy recovers.

| Table 5. Expenditures Away from home/ \$ Volume in Market Area | | | | |
|---|----------------|------------------------|-----------------------|-------------------------|
| Item | Percent | Resident Market | Primary Market | Secondary Market |
| Food / Alcoholic Beverages | 81.6% | \$152,477,469 | \$2,233,717,849 | \$14,238,870,606 |
| Lodging | 9.5% | \$17,748,351 | \$260,004,371 | \$1,657,402,074 |
| Entertainment | 4.2% | \$7,785,522 | \$114,053,962 | \$727,038,828 |
| Other | 4.7% | \$8,709,228 | \$127,585,788 | \$813,297,672 |
| Total | 100.0% | \$186,720,570 | \$2,735,361,970 | \$17,436,609,180 |

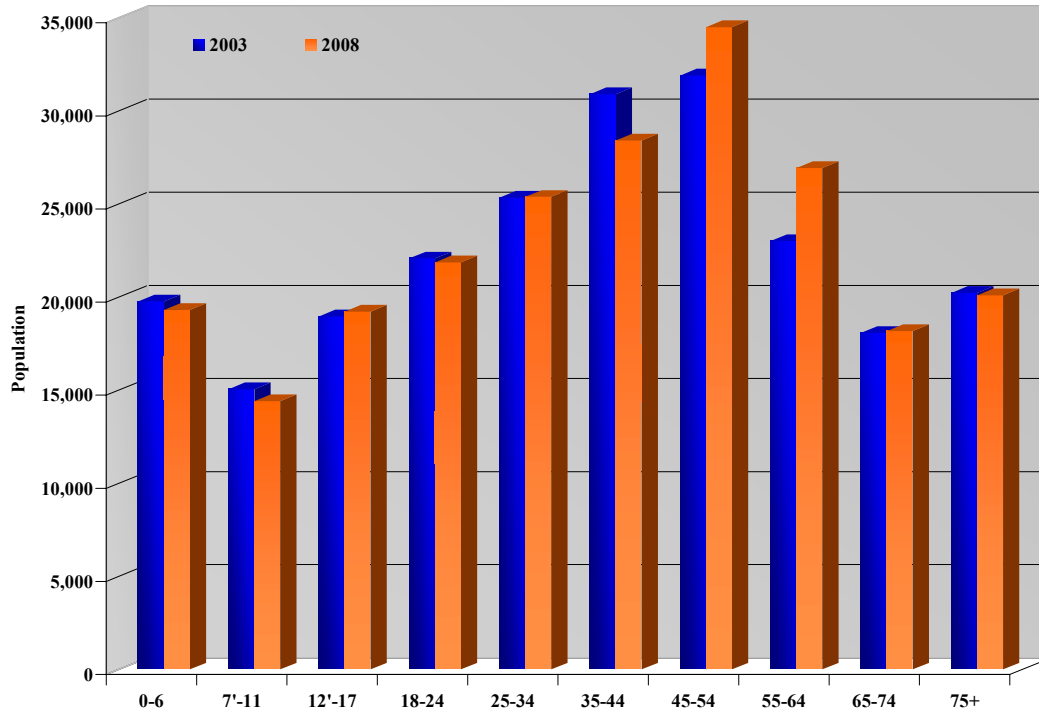
Source: Bureau of Labor Statistics; Business Analyst®

2.1.1 Resident Market

The resident market includes communities within a 50-mile radius from the project site. It is characteristically rural with no metro areas.

Population

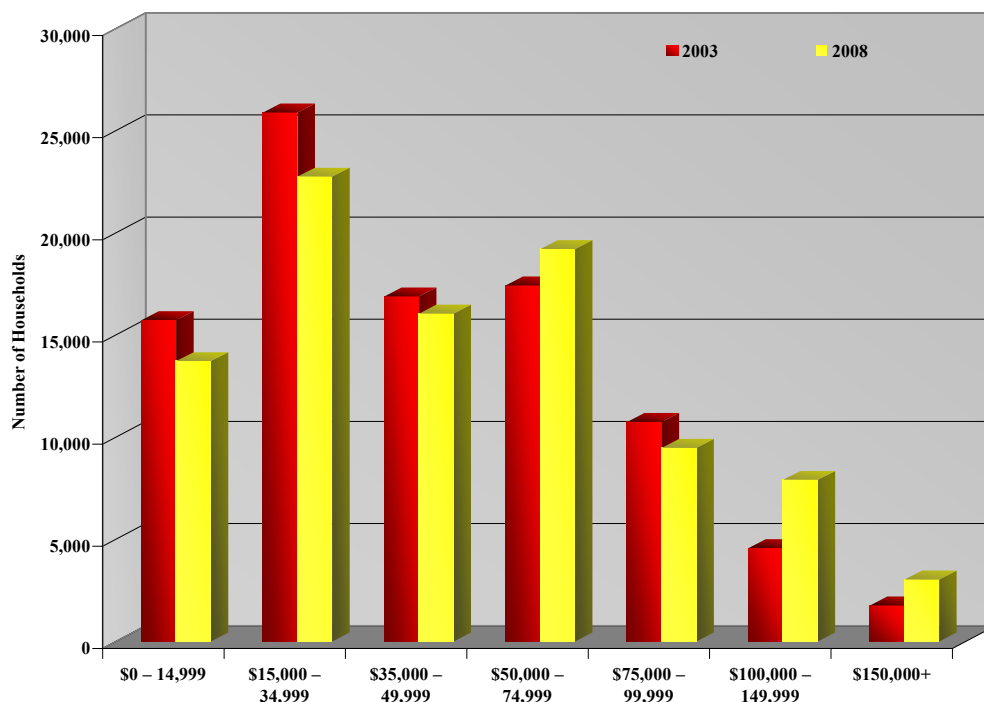
In 2003, the resident market has an estimated total population of 225,319. The market size is projected to remain stable with a projected five-year growth rate of only 1.3-% for an estimated population of 228,298 in 2008. The following table shows the distribution by age group in 2003 and 2008; the population shifts to an older demographic

Exhibit 2. Resident Market – Population by Age Group**Households**

In 2003, there are a total of 89,779 households in the resident market area, 1.2% of all households in the entire market area. The projected growth of 2.6% over five years shows an estimate of 92,149 households for 2008. The percentage of the resident market in the entire market area in 2008 stays unchanged.

Income

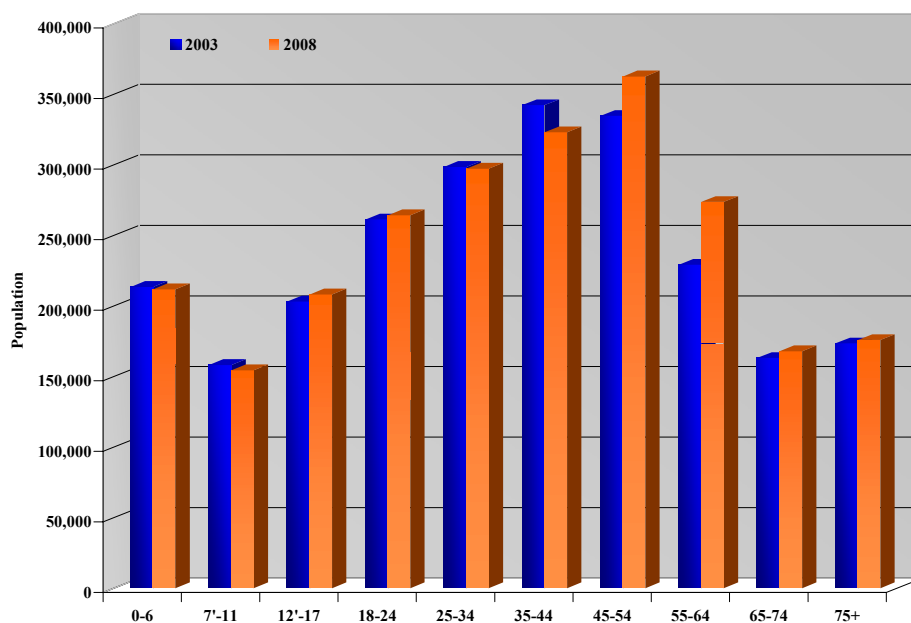
In 2003, the average household income is estimate to be \$47,480, the median household income \$38,290 and the per capita income \$19,320. The estimated figures for 2008 show an average income of \$56,340, a median income of \$44,530 and a per capita income of \$23,180.

Exhibit 3. Resident Market – Households by Income Bracket

2.1.2 Primary Visitor Market

Exhibit 4. Primary Visitor Market – Population by Age

The primary visitor market includes populations from 50- to 130-mile radius from the project site, equivalent to one to 2.5-hour drive. The main metro area in this market is Des Moines. It includes a combination of likely day-use visitors and overnight visitors to the resort.



Population

The primary visitor market has a total population of 2.3 million in 2003. Over five years a growth of 2.6% is projected for the primary market area, which estimates a total population of 2.4 in 2008. Exhibit 4 shows the distribution by age group in 2003 and 2008; the population will likely be significantly older.

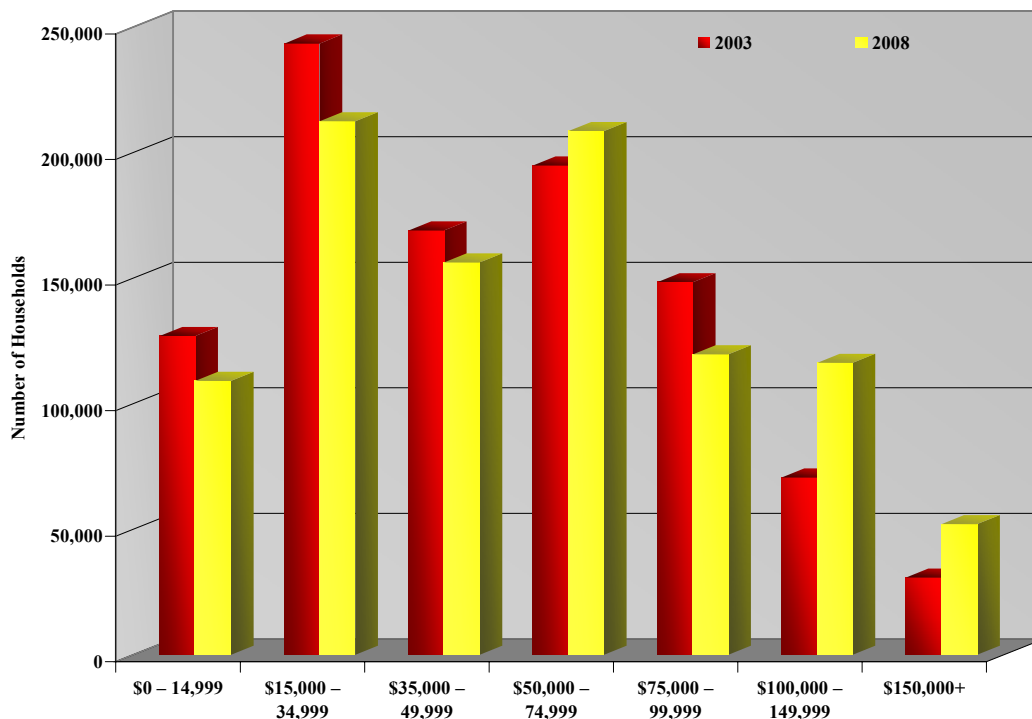
Households

In 2003, there are a total of approximately 935,000 households representing 12.3% of all households in the trade area. The projected growth of 4.2% over five years shows an estimate of 974,000 households in 2008.

Income

In 2003, the average annual household income is estimated to be \$55,790, the median household income \$44,870 and the per capita income \$22,440. The projected figures for 2008 show an average income of \$66,980, a median income of \$52,760 and a per capita income of \$27,290. The following exhibit shows number of households by income.

Exhibit 5. Primary Market – Households by Income Bracket



2.1.3 Secondary Visitor Market

The secondary visitor market includes communities within a 130-to 270-mile radius from the project site, or 2.5 to 5-hour drive. The biggest of the metro areas are in this section of the market area. It includes visitors who are most likely to stay overnight, be on a vacation or attend a meeting or a conference at the resort.

Exhibit 6. Secondary Market – Population by Age

Population

The secondary visitor market has an estimated total population of 17.2 million in 2003. By 2008 population is projected to reach slightly more than 18 million, representing a growth rate of 4.8%. The following table shows the distribution by age group in 2003 and 2008; this population is also becoming increasingly older.

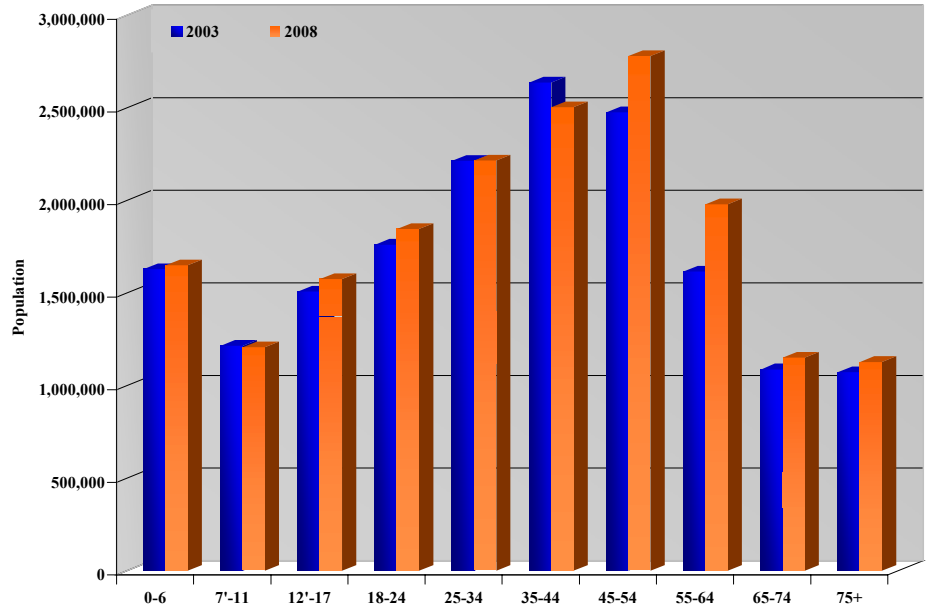
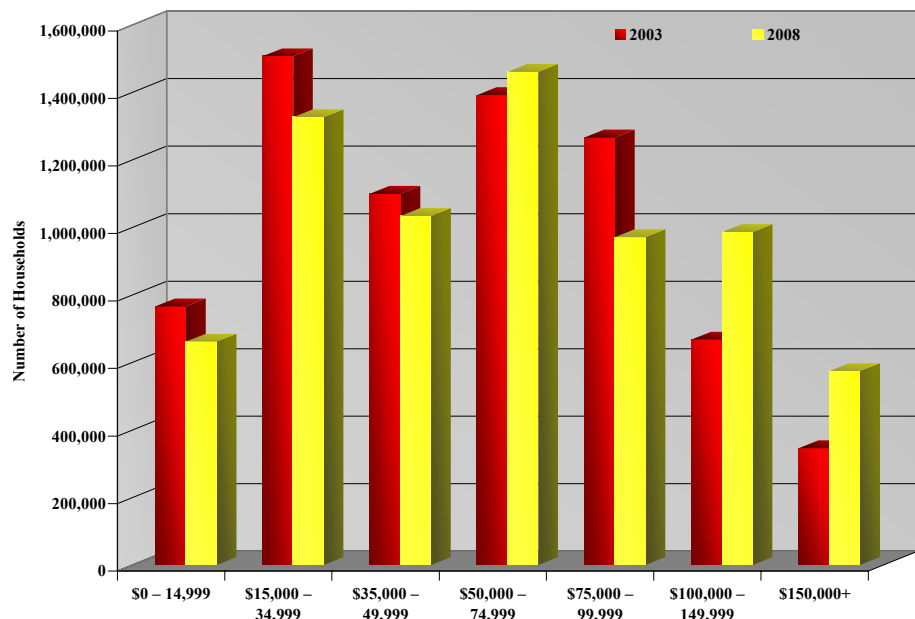


Exhibit 7. Secondary Market – Households by Income Bracket

Households

In 2003, there are a total of 6.6 million households representing 86.6% of all households in the trade area. The projected growth of 6.3% over five years shows an estimate of 7 million households for 2008.



Income

In 2003, the average household income is estimated to be \$64,240, the median household income \$51,730 and the per capita income \$25,000. The estimate figures for 2008 show an average income of \$76,890, a median income of \$60,360 and a per capita income of \$30,310. The income in this area is growing substantially faster than the rate of inflation.

2.1.4 Urban and Rural Markets

Dividing the trade area into urban (*population in metro areas*) and rural sub-markets (*non-metro areas*) is necessary to better plan the development components and their intensity level. Activities that urban population engages in might be different than what the rural population enjoys. In addition, people residing in metro areas could have different lodging preferences, trip characteristics and vacation behavior. Although the market analysis does not emphasize the use of this segmentation, it is worth noting the size of each market segment and state, *where and if necessary*, the segmentation will impact on the development components.

The following table shows the distribution of the larger nine metro areas with population over 300,000 in the three market area segments. In addition to these larger metro areas, the trade area encompasses eight other metro areas with populations less than 300,000 that include a mix of urban and rural population. Total population in the smaller metro area was 1.37 million people in 2000. The eight metro areas are: Lincoln, NE; Topeka, KS; Columbia, MS; Rochester, MN; Sioux Falls, SD; Sioux City, NE-IA; Springfield, IL; and; Cedar Rapids, IA. With the exception of Cedar Rapids metro area, all other metro areas are in the secondary market.

| Table 6. Distribution of Metro Areas with Population Over 300,000 | | | | |
|--|------------------------|-------------------------------|---------------------------------|------------------------|
| Metro Area | Resident Market | Primary Visitor Market | Secondary Visitor Market | Population 2000 |
| Des Moines, IA | | • | | 456,022 |
| Omaha, NE-IA | | | • | 716,998 |
| Davenport-Bettendorf-Moline-Rock Island, IA-IL | | | • | 359,062 |
| Peoria-Pekin, IL | | | • | 347,387 |
| Madison, WI | | | • | 426,526 |
| Kansas City, MO-KS | | | • | 1,776,062 |
| Rockford, IL | | | • | 371,236 |
| Springfield, MO | | | • | 325,721 |
| St. Louis, MO-IL | | | • | 2,603,607 |
| Total Metro Areas | 0 | 1 | 8 | 7,382,621 |

Source: U.S. Census Bureau, Census 2000

The above data applied to each of the market areas shows that the primary market is largely characterized as rural without metro areas. The primary visitor market has 18% of

its population living in metro areas while urban living is twice as high in the secondary market with 40% of the population residing in larger metro areas. When including the smaller metro areas, there are approximately 8.75 million people residing in metro areas.

Table 7. Trade Area - Population in Larger Metro Areas

| | Metropolitan Population | Non-metropolitan Population |
|---------------------------------|-------------------------|-----------------------------|
| Resident Market | 0% | 100% |
| Primary Market | 18% | 82% |
| Secondary Market | 40% | 60% |
| Honey Creek Market Total | 37% | 63% |

Source: U.S. Census Bureau, Census 2000

2.2 Available Markets Summary

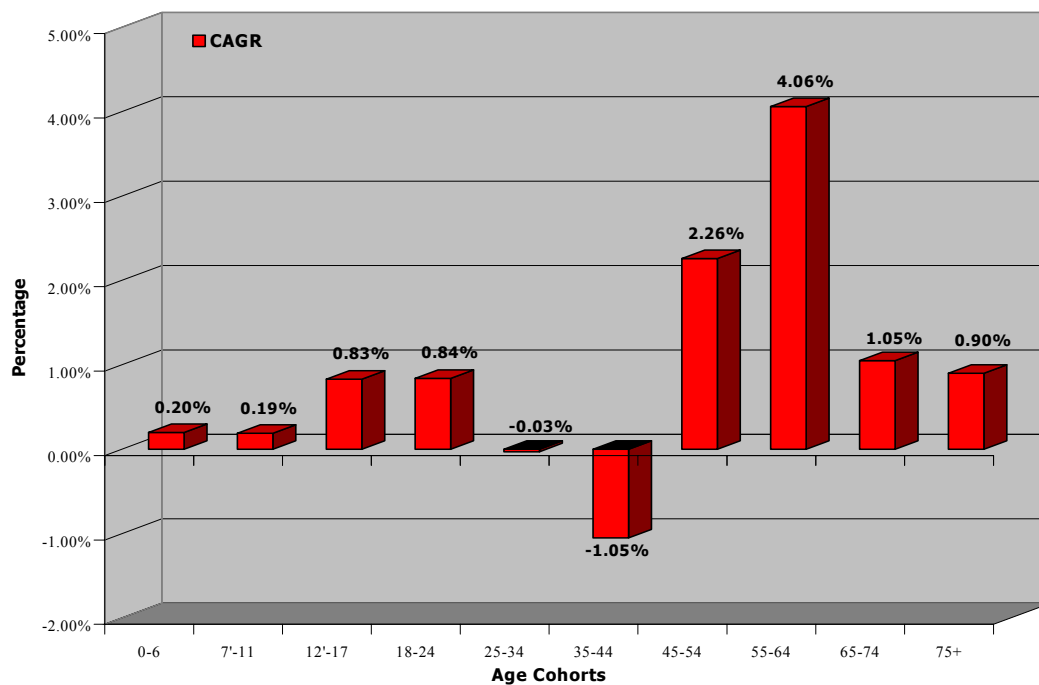
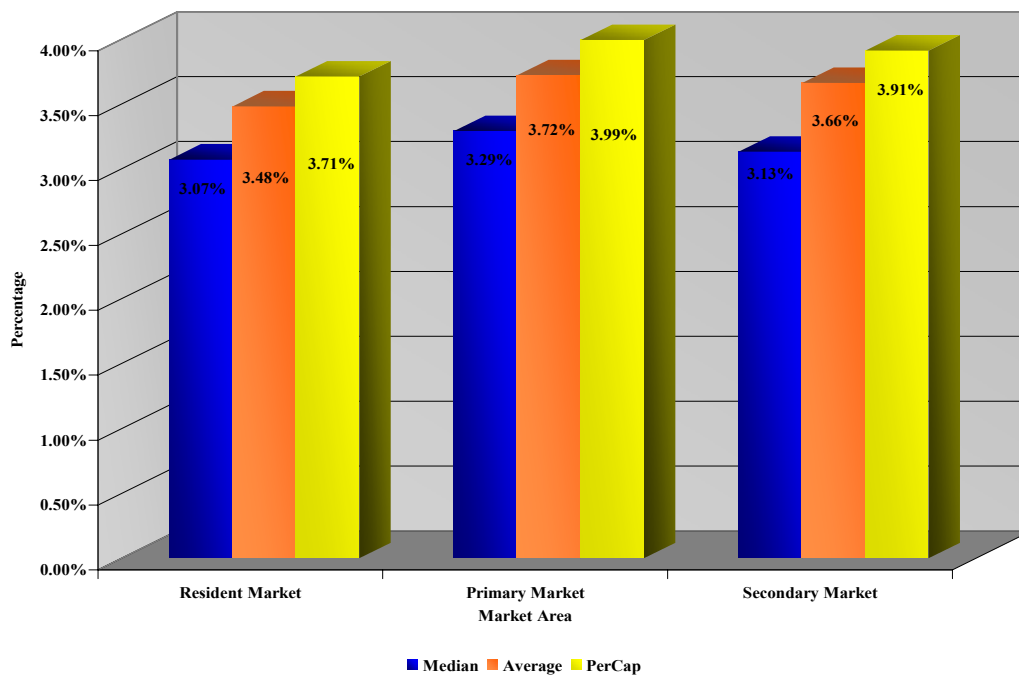
In 2008, the projected population in the market area is 20.6 million distributed into 8 million households with an average size of 2.4 persons. The age group 20–65 years, with 57% of the population, is the largest in the market area followed by the age group under 20 years with 26% and over 65 with 17% of population.

Table 8. Summary - Population/Age/Households 2008

| | Population | | Age Group % | | | Households | |
|--------------------------|-------------------|--------------|-------------|-------------|-------------|------------------|--------------------|
| | Number | Percentage | <20 | 20-65 | >65 | All Households | Household Families |
| Resident Market | 228,298 | 1.1 | 26.0 | 57.2 | 16.8 | 92,149 | 61,622 |
| Primary Market | 2,439,493 | 11.6 | 26.5 | 59.4 | 14.1 | 974,249 | 636,043 |
| Secondary Market | 18,023,877 | 87.2 | 27.5 | 59.8 | 12.6 | 7,015,335 | 4,730,169 |
| Total Market Area | 20,691,668 | 100.0 | 27.4 | 59.7 | 12.9 | 8,081,733 | 5,427,834 |

Source: Business Analyst®

The above table also displays that most of the population, 87% in the market area, lives in the secondary market, 130 to 270 miles away from the resort location. The resident market, which directly surrounds the resort, is the smallest market segment with the smallest volume, with 1% of the market area population. Exhibit 9 indicates a slow annual trend towards an overall older population during the next years in the market area.

Exhibit 8. Compound Annual Growth Rate: Age Groups 2003 – 2008**Exhibit 9. Compound Annual Growth Rate: Income 2003 - 2008**

The above exhibit shows the compound annual growth rate for each market and segment from the year 2003 to the year 2008.

For Resident Market in 2008 a median household income of \$44,530, an average household income of \$56,340 and a per capita income of \$23,180 are projected. The projection for the primary market estimates a median household income of \$52,760, an average household income of \$66,980 and a per capita income of \$27,290. Finally the estimates for the secondary market show a median household income of \$60,360, an average household income of \$76,890 and a per capita income of \$30,310.

Expenditures away from home were a total of \$20.4 billion in the Market Area in the year 2000. The resident market's share of the total expenditure volume was one percent, the primary market's share was 12% and the secondary market's share was 87%.

2.3 Sports Participation

The National Sporting Goods Association (NSGA) publishes annual surveys on sports participation in the United States. Participation rates for selected activities are available by region, age group, frequency, gender and other variables. The following table shows participation rate by states that are included in the trade area. The table shows the mean number of participation days for 2002.

| Table 9. Mean Number of Sports Participation Days by State, 2002 | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|
| State | IA | IL | KS | MN | MO | NE | WI |
| Activity | | | | | | | |
| Bicycle Riding | 65.59 | 47.92 | 41.83 | 32.21 | 51.20 | 47.79 | 58.15 |
| Camping (Vacation/ Overnight) | 9.89 | 12.14 | 11.29 | 11.22 | 8.42 | 11.71 | 10.61 |
| Fishing (Freshwater) | 13.01 | 20.40 | 16.66 | 16.12 | 15.93 | 15.49 | 17.91 |
| Golf | 30.36 | 21.72 | 20.20 | 24.00 | 30.46 | 15.60 | 17.93 |
| Hiking | 13.52 | 16.33 | 14.70 | 12.60 | 10.77 | 6.02 | 13.76 |
| Swimming | 33.82 | 39.09 | 27.75 | 23.79 | 28.19 | 35.62 | 32.85 |
| Boating - Motor/Power | 18.71 | 9.85 | 5.28 | 15.34 | 14.00 | 14.64 | 12.51 |
| Water Skiing | 5.52 | 4.09 | 6.00 | 8.52 | 11.15 | 0.00 | 17.88 |
| <i>Source: National Sporting Goods Association (NSGA)</i> | | | | | | | |

Table 10 summarizes participation characteristics for selected activities that are expected to be available at the proposed resort. Horseback riding was not covered in the NSGA survey.

Households with annual household income over \$75,000 had the highest participation rates for activities that require equipment and fees such as golf (45.1%) and camping (26%).

In addition to the NSGA survey, a study by the Center for Social and Behavioral Research at the University of Northern Iowa on the participation of **adult Iowans** in outdoor recreational activities at state parks was conducted. **Table 11** summarizes the findings for selected activities that are expected to be available at the proposed resort. Golf was not covered in the survey.

Table 10. Participation Characteristics for Selected Activities – 2002

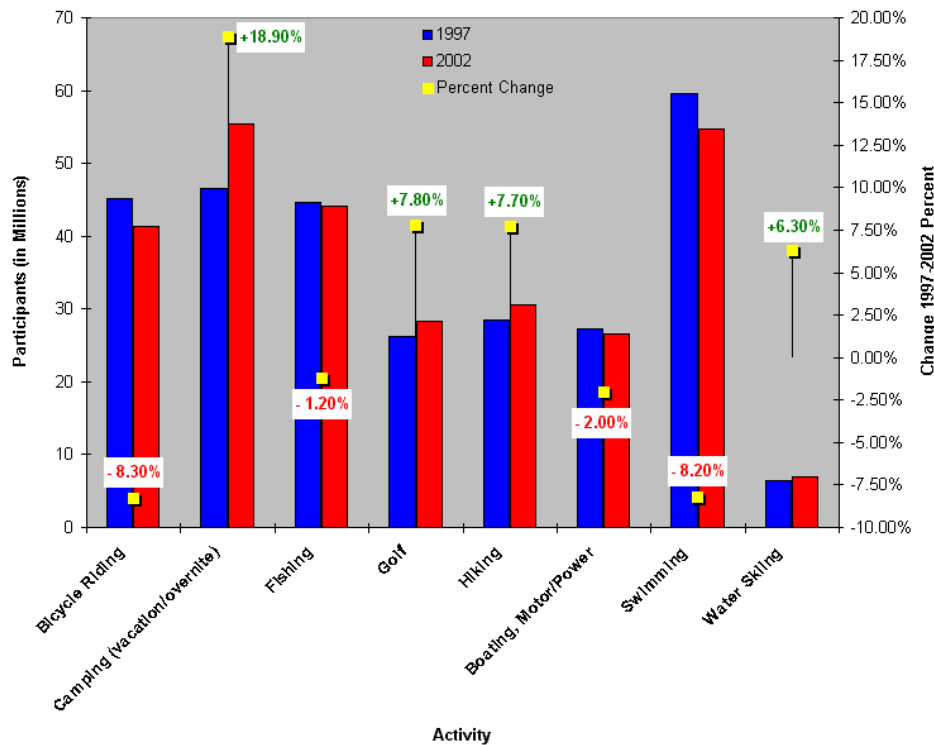
| Attributes | Bicycle | Camping – Vacation/ Overnight | Fishing- Freshwater | Golf | Hiking | Swimming | Boating - Motor/Power | Water Skiing |
|--|-------------------|-------------------------------------|------------------------|--------------------|--------------------|--------------------------|--------------------------|--------------------|
| Live in NON metro area (MSA) | 21% | 27% | 33% | 19% | 21% | 18% | 21% | 26% |
| Male Participants | 54% | 52% | 66% | 79% | 50% | 47% | 56% | 59% |
| Frequent Male Participants | 14% | 25% | 38% | 23% | 17% | 6% | 36% | 33% |
| Occasional Male Participants | 47% | 52% | 41% | 42% | 57% | 46% | 40% | 43% |
| Infrequent Male Participants | 39% | 23% | 22% | 23% | 26% | 48% | 25% | 24% |
| Highest Participation Age Group (Male) | 7-11 and 11-17 | 25-34 and 35-44 | 25-34 and 35-44 | 25-34 and 35-44 | 25-34 and 35-44 | 7-11 and 12- 17 | 25-34 and 35- 44 | 12-17 and 25-34 |
| Mean Age (Male) | 29 | 33 | 35 | 38 | 34 | 30 | 36 | 28 |
| Female Participants | 46% | 48% | 34% | 21% | 50% | 53% | 44% | 41% |
| Frequent Female Participants | 11% | 22% | 29% | 15% | 16% | 7% | 27% | 30% |
| Occasional Female Participants | 46% | 52% | 47% | 40% | 58% | 48% | 44% | 41% |
| Infrequent Female Participants | 44% | 26% | 25% | 45% | 27% | 45% | 29% | 29% |
| Highest Participation Age Group (Female) | 7-11 and 35-44 | 25-34 and 35-44 | 7-11 and 35- 44 | 25-34 and 45-54 | 25-34 and 35-44 | 7-11, 25-34 and 35-44 | 25-34 and 35- 44 | 18-24 and 25-34 |
| Mean Age (Female) | 30 | 32 | 33 | 42 | 35 | 32 | 35 | 28 |
| Notes: | | | | | | | | |
| Frequency refers to number of participation days per year and varies by activity. | | | | | | | | |
| Frequent: Bicycle and swimming- +110 days; Camping, fishing and boating - +20 days; Golf - +40 days; Hiking-+30 days; Water skiing- +10 days | | | | | | | | |
| Occasional: Bicycle and swimming- 24-109 days; Camping, fishing and boating - 5-19 days; Golf - 10-39 days; Hiking-5-29 days; Water skiing- 3-9 days | | | | | | | | |
| Infrequent: Bicycle and swimming- 6-24 days; Camping, fishing and boating - 2-4 days; Golf - 2-9 days; Hiking-2-4 days; Water skiing- 2 days | | | | | | | | |
| Source: National Sporting Good Association | | | | | | | | |

Table 11. Participation Characteristics for Selected Activities

| Attributes | Bicycle | Camping – Tent | Camping – Trailer/ Vehicle | Fishing | Hiking | Swimming | Boating – Motor/ Pontoon | Horseback Riding |
|--|---------|-------------------|----------------------------------|---------|--------|----------|--------------------------------|---------------------|
| Live in Rural community | 16% | 15% | 33% | 32% | 32% | 26% | 20% | 6% |
| Of all Male Respondents participate | 17% | 14% | 28% | 41% | 32% | 27% | 25% | 3% |
| Of all Female Respondents participate | 14% | 14% | 28% | 21% | 32% | 28% | 15% | 4% |
| Participants use Park occasionally | 11% | 14% | 24% | 23% | 30% | 23% | 15% | 3% |
| Participants use Park frequently | 20% | 15% | 32% | 42% | 34% | 31% | 26% | 4% |
| Highest Participation Age Group | 18-34 | 18-34 | 50-64 | 18-34 | 18-34 | 18-34 | 35-49 | 50-64 |
| Notes: | | | | | | | | |
| Frequency refers to number of participation days between May 1, 1999 and April 30, 2000. | | | | | | | | |
| Frequent: 10+ days | | | | | | | | |
| Occasional: 1-9 days | | | | | | | | |
| <i>Source: Center for Social and Behavioral Research, University of Northern Iowa</i> | | | | | | | | |

Exhibit 10 summarizes participation trends between 1997 and 2002 for selected activities that are expected to be available at the proposed resort.

Exhibit 10. Change in Participation 1997 – 2002



Source: National Sporting Goods Association

2.4 Iowa Visitor Market

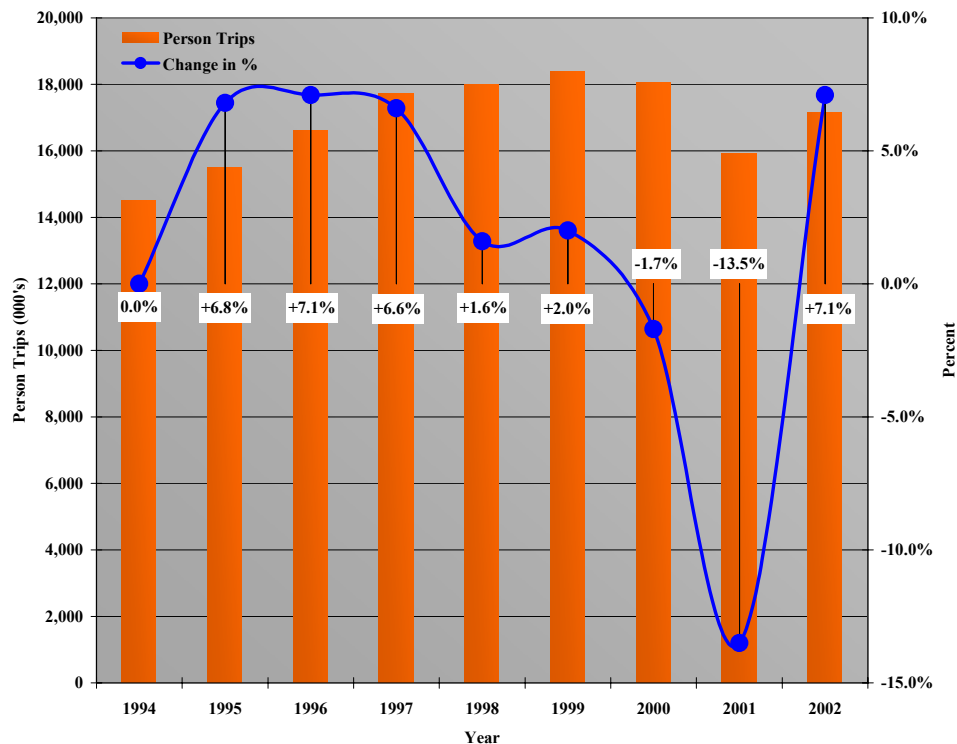
2.4.1 State Tourism

Visitor Volume

According to the Iowa Tourism office and based on data from Travelscope, the Tourism Industry Association (TIA) annual survey, in 2002, Iowa received approximately 17.1 million visitors (person-trips)¹, a 7% increase from the previous year of 16 million visitors. However, with the exception of 2001 the number of visitors in 2002 was the lowest since 1997, when Iowa received 17.7 million visitors. The following exhibit shows total visitor volume to Iowa since 1994 and the annual percent change.

¹ Visitor (person-trip) is defined as anyone taking a trip at least 50 miles one way away from home and/or stays at least one night in a paid accommodation at the destination.

Exhibit 11. Visitor Volume and Annual Percent Change in Iowa – 1994-2002



Leisure visitors represented 72.5% of all visitors to the state or 12.4 million visitors. Over 77% of leisure visitors came to Iowa to visit friends and relatives. Overnight leisure visitors accounted for 72.5% of all overnight visitors. Leisure visitors that stayed overnight at a hotel/motel reached 3 million visitors.

The top origin states remained the same in 2002 compared to previous years. Compared to the previous year, leisure travel shifted slightly in favor of out-of-state origin markets. Visitors from Iowa accounted for 36% of all visitors similar to 1995 but lower than the past 6 years. Minnesota on the other hand increased its share of visitors from 6% in 2001 to 10% in 2002; Illinois remained the number one out-of-state market with 12% of total visitors.

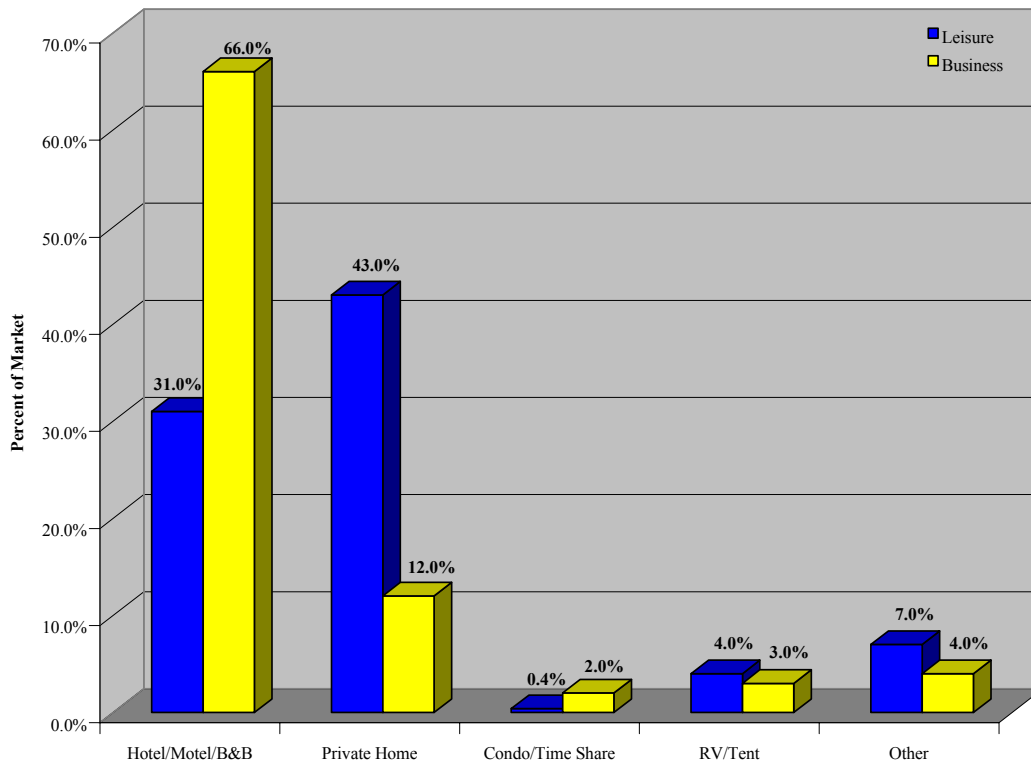
The following table shows visitor volumes to Iowa.

| Table 12. Travel to Iowa 2002 (Million of Visitors) | | |
|--|-------------|------------------|
| | Visitors | Percent of Total |
| TOTAL | 17.1 | 100% |
| Total Overnight | 13.5 | 79% |
| Leisure Visitors | 12.4 | 73% |
| Overnight | 9.8 | 57% |
| In-State | 3.4 | 20% |
| Stayed in Hotels | 3.0 | 17% |
| Business Visitors | 2.6 | 15% |
| Overnight | 2.2 | 13% |
| In-State | 0.7 | 4% |
| Stayed in Hotels | 1.4 | 8% |

Source: Iowa Tourism Office, Travelscope 2002

The table shows that the majority of travel to the state is overnight travel with 8 out of 10 visitors staying at least one night in Iowa. However, of all overnight leisure visitors only 31% stayed in hotels or motels. The following exhibit shows where leisure and business stayed overnight while visiting Iowa.

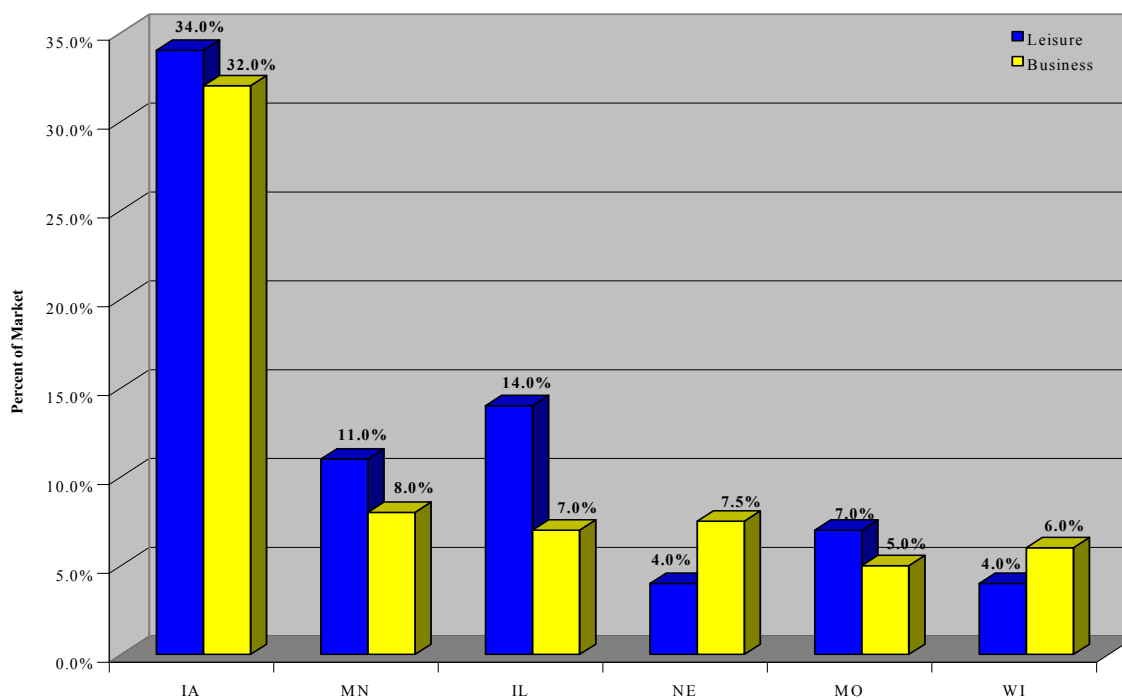
Exhibit 12. Overnight Visitors by Type of Accommodation 2002



Origin Markets

Leisure tourism to the state is highly dependent on regional markets. In addition to visitors from Iowa, which accounted for 34% of all leisure visitors, five adjacent states were the main feeder origin markets for leisure travel for a total of 73%. The following exhibit shows the top 6 origin markets for leisure and business travel.

Exhibit 13. Top Origin Markets – Leisure and Business 2002



- ❑ Minnesota and Illinois remain the top two origin markets (excluding Iowa) for leisure and travel, however Nebraska ranks second after Minnesota for business travel and Illinois is close third at 8.6% of total business travel.
- ❑ Although market shares from the six adjacent states vary slightly from year to year, in general, in addition to Iowa, they account for 80% of all travel to the state.

Trip Characteristics

- ❑ Average length of stay for overnight leisure visitors was 2.4 nights. Overnight business travelers stayed on average of 3.5 nights. However, overnight visitors staying at hotels/motels and B&Bs stayed an average of 1.9 nights.
- ❑ The majority of leisure visitors stayed with friends or relatives (43%) compared to 30% who stayed at hotels or motels.
- ❑ Shopping and outdoor activities topped the activities of visitors with 30% and 10% indicating that they engaged in these activities while in Iowa, respectively. Approximately 9% engaged in gaming, 8% indicated visiting historical places and museums, and about 5% indicated attending sporting events and festivals. The type of activities and their share of visitors' time while in Iowa have been almost stagnant since 1994 except for gaming. In 1994, only 4% of visitors indicated engaging in gaming and in 2002, the share more than doubled with 9% of visitors engaging in gaming on their trip. This is representative of the tourism product in Iowa and that with the exception of an increase in gaming, available activities for visitors have not changed in the past decade.
- ❑ Average party size for leisure visitors was 2.2 visitors, which is less than the national average of 2.5 visitors. However, only 25% of all travel parties included children on their trips. Of these travel parties, the average number of children on the trip was approximately two.
- ❑ Average daily expenditures per person is estimated to be \$50. However, it is expected that the expenditures will be higher for those staying at paid accommodations and for business travelers. The low daily expenditures are partially explained by the number of visitors staying with friends and relatives and day visitors.

Visitor Characteristics

- ❑ Average household income for overnight leisure visitors was \$58,400 in 2002. When including business travelers, the average household income for all visitors was \$62,300 in 2002. Over 50% had annual household incomes over \$50,000.
- ❑ Overnight leisure visitors to Iowa are mature visitors with the average age of the head of household being 53.2 years old, more than 6 years higher than the national average.
- ❑ The majority of leisure visitors attended some college or more (83%).

3 CASE STUDIES

3.1 Selection Criteria

The Criteria for the selection of State Parks for the case studies is based to the on matching park elements like accommodations, conference facilities and available recreational activities and facilities, location as well as the natural features (lake) between the assessed state park resorts and the proposed state park resort.

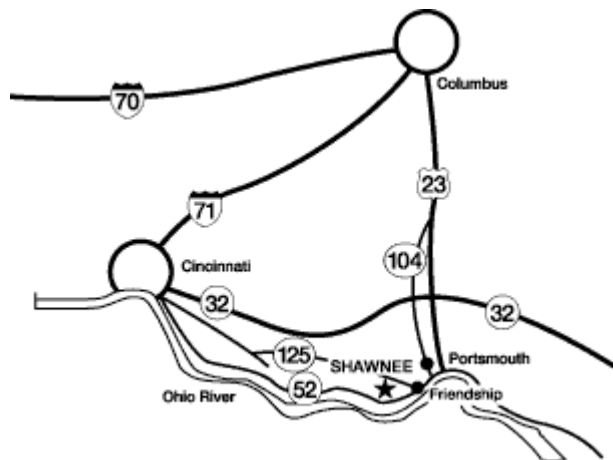
| Table 13. Summary Case Studies | | | | | | |
|--|--|--|---|---|--|--|
| | Proposed Resort Honey Creek | Case Study 1 Shawnee State Park, Ohio | Case Study 2 Wayne Fitzgerald State Park, Illinois | Case Study 3 Eugene T. Mahoney State Park, Nebraska | Case Study 4 Lake Barkley State Park, Kentucky | Case Study 5 Eagle Creek State Park, Illinois |
| Size | 850 acres (+828 acres of existing state park) | 1,095 acres | 3,300 acres | 706 acres | 3,600 acres | 2,200 acres |
| Distance to nearest Metro Area | 75 Miles | 120 Miles | 80 Miles | 30 Miles | 80 Miles | 120 Miles |
| Elements | | | | | | |
| Lodge | • | 50 Rooms | 90 Rooms | 40 Rooms | 120 Rooms | 138 Rooms |
| Conference Center | • | 7 Rooms | 5 Rooms | 10 Rooms | 5 Rooms | 8 Rooms |
| Cabin/Cottages | • | 25 Cabins | 15 Cabins | 51 Cabins | 13 Cabins | -- |
| Campground | • | 106 Sites | 283 Sites | 189 Sites | 78 sites | 38 sites |
| Restaurant | • | Full Service | Full Service | Full Service | Full Service | Full Service |
| Golf Course | • | 18 Hole | 27 Hole | 18 Hole | 18 Hole | 18 Hole |
| Marina/Boat Launch/Docks | • | 1/6/150 | 1/1/courtesy docks | 1/No/No | 1/1/172 | 2/4/n/a |
| Aquatic Center/Pool | • | Indoor/Outdoor Pool, Sauna, Jacuzzi | Outdoor Pool | Outdoor Waterpark with Slides | Outdoor Pool, Indoor Pool with Spa and Fitness Center | Indoor/Outdoor Pool, Sauna, Jacuzzi |
| Equestrian Center | • | Off-Site, Stables nearby | Stables On- Site, Seasonal Horse rental | Stables On- Site, Seasonal Horse rental | N/A | No |
| Park Activity Center | • | Nature Center | No | Indoor Theater, Nature Center, Indoor Activity Center | No, Summer Family Programs | No |
| Day Use Area (Picnic/Sport Facilities) | • | 2 Picnic Shelters Team Sport Facilities | 5 Picnic Shelters Team Sport Facilities | 9 Picnic Shelters Team Sport Facilities | 1 Picnic Shelter Team Sport Facilities | Picnic Areas Team Sport Facilities |
| <i>Source: Iowa Department of Natural Resources; Illinois Department of Natural Resources; Ohio Department of Natural Resources; Nebraska Game and Parks Commission ; Kentucky Department of Natural Resources</i> | | | | | | |

3.2 Case Study 1- Shawnee State Park Resort

3.2.1 Location

The 1,095-acre Shawnee State Park is located 120 miles east of Cincinnati, near Portsmouth just north of the Kentucky border in Scioto County, Ohio. Shawnee State Park is nestled in the 63,000-acre Shawnee State Forest. Lands were acquired for the park in 1922 and it was first operated as Theodore Roosevelt State Game Preserve. In the 1930s, six Civilian Conservation Corps camps were located in the area. It was at this time that many of the roads and lakes of the area were constructed. In 1949, with the creation of the Ohio Department of Natural Resources and the Division of Parks and Recreation, the area became a state park. The state park offers opportunities for fishing, camping, picnicking, horseback riding, hiking and other outdoor recreational pursuits and is opened year round.

Exhibit 14. Shawnee State Park Location



3.2.2 Available facilities and recreational activities

- ❑ The lodge features 50 guestrooms, dining room, meeting rooms, indoor and outdoor pools, game room, sauna, jacuzzi, tennis, basketball and shuffleboard courts.
- ❑ There are 25 family cottages at Shawnee. They sleep up to six, with two bedrooms, bath with a shower, living room, double-wide rollaway bed, complete kitchen, microwave, telephone, dining area, screened porch and charcoal grill. Two premium cottages also offer Jacuzzis. Lodge facilities are available to cottage guests.
- ❑ The family campground at Shawnee has 103 sites suitable for tents or trailers. The campground features electric hookups, waste disposal, heated shower houses, flush toilets and laundry facilities. Pet camping is available throughout the campground.

Two Rent-A-Camps and two rent-A-Teepee units with basic camping gear may be reserved. A group camp is available by reservation. 20-site horsemen's campground with latrines is available near Bear Lake on state forestland.

- ❑ Roosevelt and Turkey Creek lakes (together 68 acres) offer boating with electric motors only. Launch ramps are provided for access to the lakes. Rowboats and canoes are available for rental at Turkey Creek Lake. Boaters may spend a day on the Ohio River with access from the park's marina facility.
- ❑ An 18-hole championship golf course and pro-shop are located near the marina on the Ohio River, within a short drive of the main park area.
- ❑ The park and surrounding state forest invite hikers to discover the plant and animal life of Shawnee's forested hills. The 60-mile Shawnee backpack trail operated by the Division of Forestry takes hikers to some of the best wilderness areas in Ohio. The forest also offers 75 miles of bridle trails. There are several nature trails in the park, from one to two miles in length.
- ❑ Public beaches are situated on Roosevelt Lake and Turkey Creek Lake, which offers vending machines. Miniature golf, located at the camp store, is open to all park visitors. Volleyball and basketball courts are also available, as well as horseshoe pits and playground equipment.
- ❑ The camp store offers bike and boat rentals. The store also has games and sporting equipment to loan to registered campers. Tennis courts and shuffleboard can be found at the lodge.

The table below shows rates and fees for accommodation, amenities and activities at the park and the resort.

Table 14. Shawnee State Park & Shawnee State Park Lodge - Activities, Fees and Rates

| Facility/Activity | Rates/Fees/Availability | Notes |
|-----------------------------|-----------------------------|--|
| <i>Rooms</i> | \$75 - \$118 ¹ | 50 Rooms |
| <i>Cabins</i> | \$125 - \$175 ¹ | 25 Cabins |
| <i>Conference Center</i> | \$ - \$ ² | 7 Rooms, 6,764 square feet Individual group pricing |
| <i>Golf Course</i> | \$11 - \$19 ³ | Pro Shop, Cart rentals |
| <i>Pool/Aquatic Center</i> | No charge for resort guests | Indoor/Outdoor; Jacuzzi, Sauna |
| <i>Restaurant</i> | | Full Service |
| <i>Stables</i> | | Off - Site |
| Fishing | \$7 - \$24 | Ohio Fishing License |
| Hiking | | Trail miles 7 |
| Horse back riding | | Trail miles 75 in adjacent State Forest |
| Mountain Bike | Rentals available | No designated trails |
| Picnicking | √ | 2 Shelters available |
| Swimming Beach | √ | |
| Beach Concession | √ | |
| Miniature Golf | √ | |
| Nature Center | √ | |
| Tennis Courts | √ | |
| Game Room | √ | |
| Summer Nature Programs | √ | |
| <i>Marina/Docks</i> | | Marina on Ohio River, Boat rentals |
| Boating Limits | | EMO = electric motor only on lakes; UNL = unlimited horse power on river |
| Fuel For Sale | | Ohio River only |
| Seasonal Dock Rental, # 150 | | |
| Launch Ramps, # 6 | | |
| | | |
| <i>Camping/Campsites</i> | \$13 - \$17/106 | 103 with electric hook-up |
| Pets Permitted | √ | |
| Showers | √ | |
| Flush Toilets | √ | |
| Dump station | \$10 | Free for registered campers |
| Youth/Group Camp | \$35 | capacity 25 |
| Horsemen Campsites, # | 58 | In adjacent State Forest |
| Rent-A-Campsites, # | 4/\$33 | per night |

Source: Ohio Department of Natural Resources; Shawnee Resort & Conference Center

¹ rates vary by season, weekday, room/cabin type, double occupancy, per night

² rates vary by number of participants, type of room, season

³ rates vary by holes played (9 or 18) and weekday

3.2.3 Operational Characteristics

Shawnee State Park is one out of 8 Ohio State Parks offering Lodge, Cabin and Conference Facilities with various recreational activities like golf, boating, hiking and camping.

The State of Ohio owns the land and facilities of Shawnee State Park, including the lodge, the cabins, the meeting facilities and the golf course. A private concessionaire does the management and marketing of the lodge, the cabins as well as the meeting facilities. Maintenance of all facilities is done and paid for by the State Parks. The affiliation between the State Park and the Resort is based on a contract including revenue distribution.

The annual visitation to Shawnee State Park decreased by 2.3% from 260,992 in 2001 to 255,098 in 2002. Likewise, the occupancy rate of the lodge decreased from 49.3% in 2001 to 48.2% in 2002. There was no change in cabin occupancy, 44.2% in 2001 and 2002. However the occupancy rates for the camping facilities increased from 28.8% in 2001 to 31.4% in 2002. The park's golf course hosted 17,906 9-hole rounds and 15,786 18-hole rounds in 2002.

The conference facilities offer a total of 6,764 square feet of space. Information on the most popular type of events at the facilities or the average group size was not available.

| Table 15. Shawnee Statistical Summary | | | | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| Total Visitation | 2001 | | 2002 | |
| | 260,992 | | 255,098 | |
| | 2001 Nights sold | Occupancy Rate | 2002 Nights sold | Occupancy Rate |
| Lodge | 9,006 | 49.3% | 8,911 | 48.2% |
| Cabin | 4,044 | 44.2% | 4,034 | 44.2% |
| Campground | 7,525 | 28.8% | 8,815 | 31.4% |
| Golf Course | 2001 Rounds played | | 2002 Rounds played | |
| 9-hole | 14,426 | | 17,906 | |
| 18-hole | 13,310 | | 15,786 | |
| <i>Source: Ohio Department of Natural Resources</i> | | | | |

Although statewide occupancy rates, 52% for lodges and 47% for cabins are above the rates at Shawnee State Park, the attractions and the facilities draw their share of visitors. The occupancy rates of the camping facilities are above state level (29%). Due to its location away from the metro areas, the reasons for staying at Shawnee State are different from those at other state parks close to metro areas. State park resorts close to metro areas draw more day use visitors and generate more overnight stays in combination with events and meetings at the conference facilities. This results in higher visitation numbers and occupancy rates. The Shawnee market is to be seen more toward the vacation segment

with longer stays at the park, and more private events at the meeting facilities like reunions and weddings.

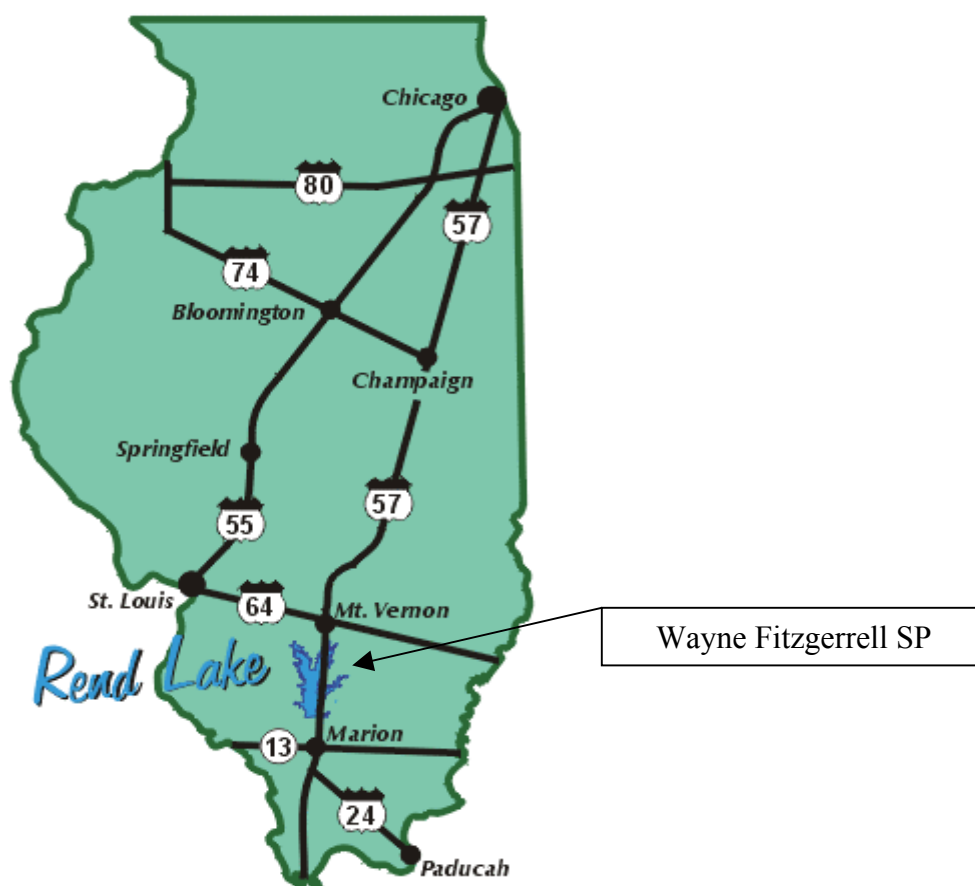
The success of the Ohio State Park System is reflected in the opening of the new Geneva State Park Resort along Lake Erie in May 2004.

3.3 Case Study 2- Wayne Fitzgerald State Park & Rend Lake Resort

3.3.1 Location

Wayne Fitzgerald State Park is located approximately 90 miles southeast of St Louis, on I-57, in Franklin County, Illinois, ashore the 19,000-acre Rend Lake reservoir. The park was dedicated in 1975, just five years after the Rend Lake reservoir was constructed by the U.S. Army Corps of Engineers. The park encompasses 3,300 acres of former farmland leased to the Department of Natural Resources by the US Army Corps of Engineers. The state park offers opportunities for hunting, fishing, camping, picnicking, horseback riding, hiking and other outdoor recreational pursuits and is opened year round.

Exhibit 15. Wayne Fitzgerald State Park Location



3.3.2 *Available facilities and recreational activities*

- ❑ The waterside resort on Rend Lake offers accommodations in Wayne Fitzgerald State Recreation Area. All 105 rooms and cabins have balconies or decks with lakefront views, full baths, TVs and telephones. Some rooms have fireplaces, sleeping lofts and spas, and some are wheelchair accessible. Although cabins do not have cooking facilities, they are equipped with refrigerators.
- ❑ Amenities include a full service restaurant, a conference center that will accommodate groups from 25 to 600, an outdoor swimming pool, a tennis court, playground, golfing packages, a convenience store and gift shop, gas for boats, courtesy boat docking and rental of pontoon boats and wave runners.
- ❑ Wayne Fitzgerald has 40 tent sites to accommodate primitive campers. Those who want a few more amenities will want to take advantage of the 243 modern campsites, which offer electrical hookups and sanitary facilities. Three shower buildings are available for campers.
- ❑ There is no golf course on the state park property. Rend Lake Golf Course is located approximately 5 miles south of the state park. The course was designed as a 27-hole complex. Original construction consisted of 18 holes, opening in 1976. Additional 9 holes were built in 1994 to meet demand. A lighted driving range and practice facility opened in the spring of 1995. Rend Lake Golf Course also features a fully staffed and stocked Pro Shop with the latest in fashion, equipment and instruction. Over 35,000 visit the rural Southern Illinois course annually and less than 10% of tee times are taken by local residents.
- ❑ For hikers and bikers, a newly constructed 4-mile hiking/biking trail is in place, which runs from the day use areas through the campgrounds to Rend Lake Resort, and then connects to the Rend Lake College Bike Trail. For horseback riders, a 9-mile bridle trail encircles the wildlife/field trial area. The trail is open to all equestrians for most of the year. From Sept. 15 to April 15, the bridle trail is closed during the hunting and designated field trial seasons.
- ❑ There are three major picnic areas and several small areas equipped with shelters, tables, fireplaces and playground equipment. Reservations are accepted at four of the five shelters. Shelter 1 in the south picnic area and Shelters 2 and 3 in the north area offer a protected cove for the convenience of boaters looking for a picnicking spot. Shelter 4, located in the County Line Picnic Area, is the largest shelter in the park. This shelter has a nice shaded setting, is handicapped accessible and has electricity and water with a large fireplace for cooking.

The table below shows rates and fees for accommodation, amenities and activities at the park and the resort.

| Table 16. Wayne Fitzgerald State Park/Rend Lake Resort & CC- Activities, Fees and Rates | | |
|--|--------------------------------|--|
| Facility/Activity | Rates/Fees/Availability | Notes |
| <i>Rooms</i> | \$78 - \$103 ¹ | 90 Rooms |
| <i>Cabins</i> | \$93 | 15 Cabins |
| <i>Conference Center</i> | \$400 - \$900 ² | 5 Rooms, total of 9,000sq foot, individual group pricing |
| <i>Golf Course</i> | \$13.50 - \$43 ³ | Pro Shop, Cart rentals |
| <i>Pool/Aquatic Center</i> | No charge for resort guests | Outdoor |
| <i>Restaurant</i> | √ | Full Service |
| <i>Stables</i> | √ | Seasonal horse rental; No boarding |
| Fishing | \$5.50 - \$24.50 | Illinois Fishing License |
| Hiking | √ | Trail miles 4 |
| Horse back riding | √ | Trail miles 9 |
| Bicycle | \$10 per day | Trail miles 4 |
| Picnicking | √ | 5 Shelters available |
| Swimming Beach | No | At other SP around Rend Lake |
| Beach Concession | No | |
| Miniature Golf | √ | |
| Nature Center | No | Rend Lake Visitor Center |
| Tennis Courts | √ | |
| Game Room | √ | |
| Summer Nature Programs | No | At other SP around Rend Lake |
| <i>Marina/Docks</i> | Yes | Sailboat Harbor |
| Boating Limits | | UNL = unlimited horse power |
| Fuel For Sale | √ | |
| Seasonal Dock Rental, # | √ | Free |
| Launch Ramps, # 1 | √ | |
| <i>Camping/Campsites</i> | \$6 - \$11/283 | 243 with electric hook-up |
| Pets Permitted | √ | |
| Showers | √ | |
| Flush Toilets | √ | |
| Dump station | √ | |
| Youth/Group Camp | \$2 per day, per person | |
| Horsemen Campsites, #10 | \$7 | per night |
| Rent-A-Campsites, # | No | |
| <i>Source: Illinois Department of Natural Resources; Rend Lake Resort</i> | | |

¹ rates vary by season, weekday, room/cabin type, double occupancy, per night

² rates vary by number of participants, type of room, season

³ rates vary by holes played (9/18/27) and weekday

3.3.3 Operational Characteristics

Wayne Fitzgerald State Park is one, out of 8 Illinois State Parks, offering lodge, cabin and conference facilities with various recreational activities like golf, boating, hiking and camping.

The State of Illinois leased the State Park property for 100 years from the U.S. Army Corps of Engineers. The Boatel, a hotel with individual boat docks, the cabins and the marina were build by the State Park and are leased for 23 years to a private concessionaire. The concessionaire did build an additional hotel with conference facilities, which will be turned over to the State Park, once the concessionaire decides not to extend his lease with the State Park for another 23 years. However the concessionaire does the management and marketing of his own and the State Park's facilities. Structural maintenance of all facilities is done and paid for by the State Park. The concessionaire provides interior maintenance. The affiliation between the State Park and the Resort is based on a lease including a monthly revenue distribution. The monthly percentage revenue received is deposited into the State Park Fund. The second concession at Wayne Fitzgerald State Park is the riding stable. The agreement is a 4-year flat fee lease.

The golf course, which is not on State Park property, is owned and operated by the Rend Lake Conservancy District. It features a total of 27 holes, a Pro Shop and Clubhouse amenities. Hotel-Golf packages are available.

The annual visitation of Fitzgerald State Park increased by 5.5% from 1,437,261 in 2001 to 1,516,205 in 2002. The occupancy rate of the lodge and the cabins decreased by 2% from 52% in 2001 to 50% in 2002.

Likewise the occupancy rates for the camping facilities decreased slightly from 20% in 2001 to 19,7% in 2002. The conference facilities offer a total 9000 square feet. The most popular type of events/meetings is weddings and business meetings. The average group size is 70 participants.

| Table 17. Wayne Fitzgerald Statistical Summary | | | | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| Total Visitation | 2001 | | 2002 | |
| | 1,437,261 | | 1,516,205 | |
| | | | | |
| | 2001 Nights sold | Occupancy Rate | 2002 Nights sold | Occupancy Rate |
| Lodge, Cabins | 17,082 | 52% | 16,425 | 50% |
| Campground | 8,277 | 20% | 7,743 | 19,7% |
| Golf Course | 2001 Rounds played | | 2002 Rounds played | |
| 27-hole | N/A at this time | | N/A at this time | |
| <i>Source: Illinois Department of Natural Resources</i> | | | | |

Wayne Fitzgerald State Park and Rend Lake Resort are part of the Rend Lake State Fish and Wildlife Area in southern Illinois. As part of a State Park system around Rend Lake,

the State Park itself might not offer a wide variety of activities, but in connection with the adjacent State Fish and Wildlife Area, several marinas and the nearby 27-hole golf course, it was able to attract 1.5 million visitors in 2002.

The resort offers special golf packages for lodge guests and meeting groups. Courtesy boat docks are available for restaurant and lodge guests. The park also features a sailboat harbor at its southern tip. Overall the success of the park could be seen in its function as a hub for recreation activities in the Rend Lake State Fish and Wildlife Area.

3.4 Case Study 3- Eugene T. Mahoney State Park

3.4.1 Location

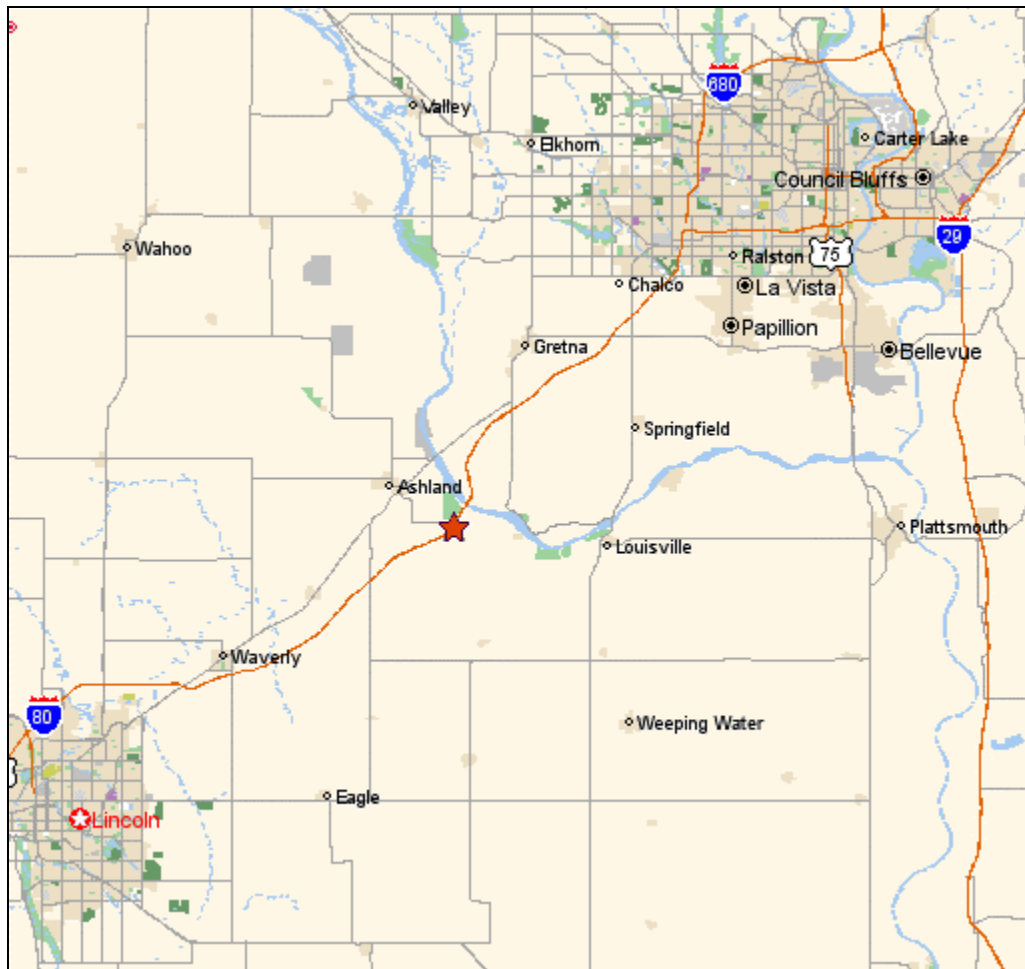
Eugene T. Mahoney State Park is located approximately 30 miles southwest of Omaha and 30 miles northeast of Lincoln, just off I-80, in Cass County, Nebraska, along the Platte River. The park encompasses 706-acres. Eugene T. Mahoney State Park, the newest and most modern of Nebraska's major state parks, first opened to the public in 1991. The State Park offers opportunities for fishing, camping, picnicking, horseback riding, hiking and other outdoor and indoor recreational pursuits and is opened year round.

3.4.2 Available facilities and recreational activities

- ❑ Peter Kiewit Lodge offers 40 guestrooms, each with air conditioning and heat, telephone, televisions and a private bath. Sixteen have sleeping lofts and fireplaces. All but 16 rooms have walkout decks overlooking the park or the Platte River. Lodge rooms have two queen beds or one king bed each.
- ❑ Mahoney State Park's 51 cabins are available throughout the year. Linens, tableware and basic cookware is provided. Each cabin has air conditioning and heat, fireplace, television, refrigerator, range, outdoor deck and grill. Three four-bedroom cabins can host larger families or group retreats. Each bedroom has a vanity and ample closet space. There are two large bathrooms. The cabins feature a large great room with an open design fireplace. On one side of the central fireplace is a seating area and on the other a large dining area with adjacent kitchen area. The great room features a cathedral beamed ceiling with one end opening out onto a screened porch. The other cabins all have two bedrooms, and some are handicap accessible.
- ❑ Mahoney SP has 149 hard-surfaced camping pads but primitive camping also is available. Each site has both 30 and 20 amp electrical hookups. Modern shower/latrine buildings and drinking water are conveniently located in the camping areas. There is a coin-operated laundry in the shower building at Little Creek. Trailer dump stations and water are available near the park entrance.

- ❑ A Driving Range gives golfers a chance to practice their skills; clubs are available for those wanting to learn the game. For golfers the new Quarry Oaks Golf Course near the park offers an 18-hole championship golf course measuring 7,051 yards, opened for public play in April of 1997. Multi-tiered practice range with target greens; sand and chipping practice area; a practice green and the fully appointed clubhouse with dining facilities are available. For family play, visit the 18-hole Esther Marie Daniel Miniature Golf Course nearby.

Exhibit 16. Eugene T. Mahoney State Park Location



- ❑ The park also offers an ice-skating Pavilion. Equipped with refrigeration units, the Pavilion will offer ice skating from November through March. In other months, it will host gatherings of up to 1,000 people for family reunions, meetings and other events.

-
- ❑ The Activity Center has a snack bar, an indoor playground and computer games simulating golf, rock climbing, firearm and archery hunting and other sports.
 - ❑ Other park activities include trail rides, which depart from the John Wayne Riding Stables. Paddleboats are available on Owen Marina Lake. The park also has tennis courts, a sand volleyball court, a softball diamond and nature and hiking trails.
 - ❑ There is a gift shop and game room at Kiewit Lodge and an orientation theater in Administration Building.
 - ❑ The pool at Mahoney State Park is open from Memorial Day through Labor Day. The Pool and Slide complex boasts a regulation-size pool with diving area, wading pool, spacious sundeck, and two twisting, 236-foot water slides. Season pool passes are available.
 - ❑ The James Family Conservatory is a dual-purpose facility, devoted to displays on native Nebraska plants and aquatic resources.

The table below shows rates and fees for accommodation, amenities and activities at the park and the resort

| Table 18. Eugene T. Mahoney State Park- Activities, Fees and Rates | | |
|---|--------------------------------|------------------------------------|
| Facility/Activity | Rates/Fees/Availability | Notes |
| <i>Rooms</i> | \$65 - \$80 ¹ | 40 Rooms |
| <i>Cabins</i> | \$95 - \$230 ¹ | 51 Cabins |
| <i>Conference Center</i> | \$35 - \$250 ² | 10 Rooms, 6,600 total of sq. foot |
| <i>Golf Course</i> | \$25- \$65 ³ | Pro Shop, Cart rentals |
| <i>Pool/Aquatic Center</i> | \$5 - \$6 person/day | Outdoor; Season Pass available |
| <i>Restaurant</i> | √ | Full Service |
| <i>Stables</i> | √ | Seasonal horse rental; No boarding |
| Fishing | \$10 - \$45 | Nebraska Fishing License |
| Hiking | √ | Trail miles 6 |
| Horse back riding | \$12 per ride | Stables on site |
| Bicycle | | No designated trails |
| Picnicking | √ | 9 Shelters available |
| Swimming Beach | No | |
| Beach Concession | No | |
| Miniature Golf | √ | |
| Nature Center | √ | |
| Tennis Courts | √ | |
| Game Room | √ | |
| Summer Nature Programs | √ | |
| <i>Marina/Docks</i> | Yes | No docks available |
| Boating Limits | | Only paddle boats |
| Fuel For Sale | No | |
| Seasonal Dock Rental, # | No | |
| Launch Ramps, # 1 | √ | |
| <i>Camping/Campsites</i> | \$8 - \$14/189 | 149 with electric hook-up |
| Pets Permitted | √ | |
| Showers | √ | |
| Flush Toilets | √ | |
| Dump station | √ | |
| Youth/Group Camp | No | |
| Horsemen Campsites, # | No | |
| Rent-A-Campsites, # | No | |
| <i>Source: Nebraska Game and Park Commission; Eugene T. Mahoney SP</i> | | |

¹ rates vary by season, weekday, room/cabin type, double occupancy, per night

² rates vary by number of participants, type of room, season

³ rates vary by holes played (9/18), weekday and tee time

3.4.3 Operational Characteristics

Eugene T. Mahoney State Park is one out of 5 Nebraska State Parks offering Lodge, Cabin and Conference Facilities with various recreational activities like golf, boating, hiking and camping. In addition Mahoney State Park offers an indoor activity center, a waterpark as well as an indoor theater.

The State of Nebraska owns the land and facilities of Mahoney State Park, including the lodge, the cabins and the meeting facilities. The golf course, which is not on State Park property, is privately owned and operated. Private concessions at Mahoney SP are the theater, the marina and pony and hayride operation. Structural maintenance of all facilities is done and paid for by the State Park. The affiliation between the State Park and the concession operations is based on a contract including revenue distribution.

The annual visitation of Mahoney State Park in 2002 was 1,100,000. This is an increase of almost 10% from the 2001 number. The high number is explained by its location between the cities of Lincoln and Omaha and the proximity to those two metro areas. In combination with the variety of activities and attractions available, it draws a lot of day visitors year round to the park. According to the State Park 75% of all visitors are non-Nebraska residents.

Because of it's proximity to two metro areas and a relatively small number of rooms in combination with the availability of year round indoor activity attractions, the park reached an annual occupancy rate of 74% for the lodge and 76% for the cabin facilities in 2002. The nearby privately owned Quarry Oaks golf course had a total visitation of 35,000 visitors in 2002. According to the Golf course management, in 2001 approximately 23,000 rounds were played in 2001 and 24,000 in 2002.

| Table 19. Mahoney Statistical Summary | | | | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| Total Visitation | 2001 | | 2002 | |
| | 1,000,156 | | 1,072,800 | |
| | 2001 Nights sold | Occupancy Rate | 2002 Nights sold | Occupancy Rate |
| Lodge | N/A | | 10,804 | 74% |
| Cabin | N/A | | 14,147 | 76% |
| Campground | N/A | | 22,000 | |
| | 2001 | | 2002 | |
| Aquatic Center | 95,000 | | 106,000 | |
| Activity Center | N/A | | 55,000 | |
| Nature Center | N/A | | N/A | |
| Theater | N/A | | 22,000 | |
| Ice Skating Ring | N/A | | 11,000 | |
| Stables | N/A | | N/A | |
| | | | | |
| Golf Course | 2001 Rounds played | | 2002 Rounds played | |
| 18-hole | 23,000 | | 24,000 | |
| <i>Source: Eugene Mahoney SP, Quarry Oaks Golf Course</i> | | | | |

Golf/Lodging packages are currently not available, due to problems in the cooperation between the park and the golf course.

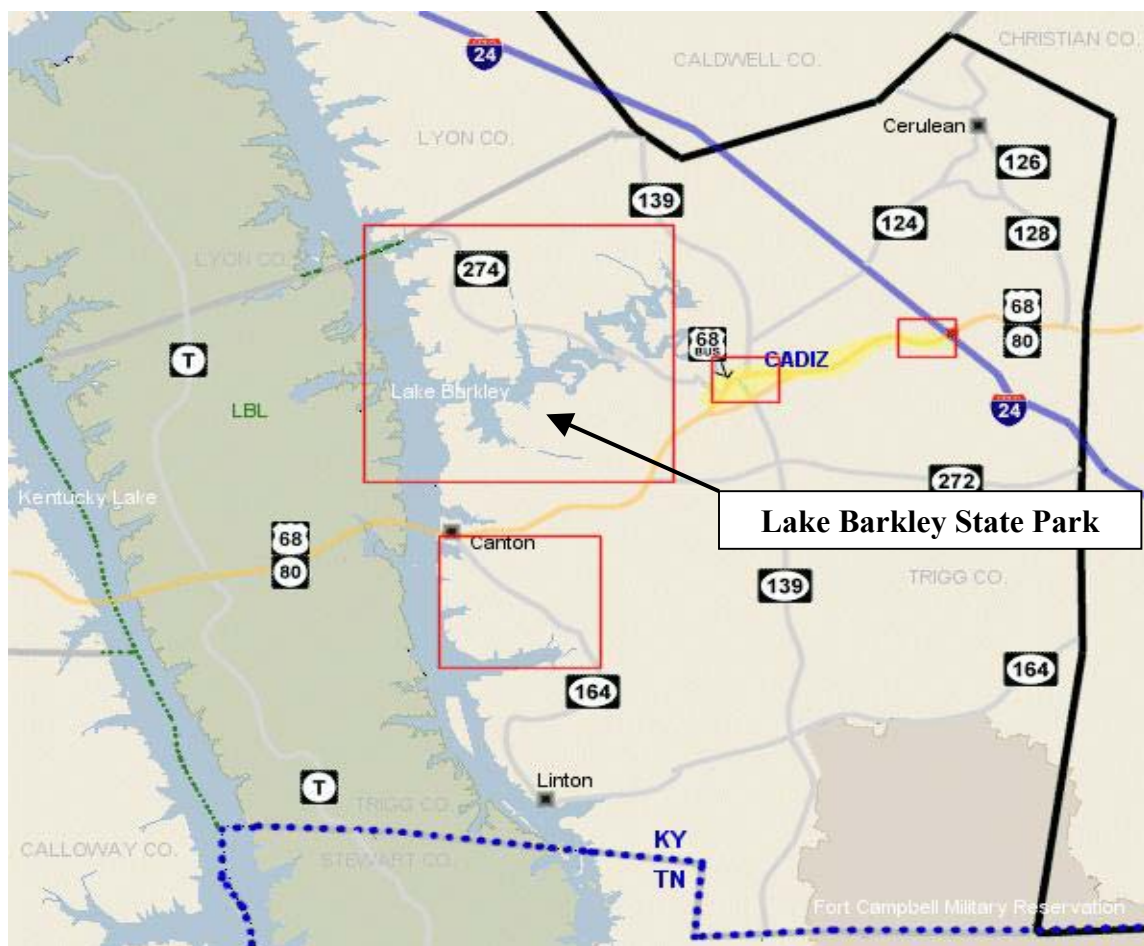
Eugene T. Mahoney State Parks profits from its location between two metro areas, each of them just 30 miles away. The park is the newest; it is open since 1991, in Nebraska and features many attractions and amenities. During summer peak season the lodge occupancy rate is 98%. Because of its indoor amenities and flexible outdoor facility, which is meeting facility in summer and an ice rink in winter, the park can expect to attract more visitors through out the low business winter month than other comparable State Parks.

3.5 Case Study 4- Lake Barkley State Park Resort

3.5.1 Location

The 3,600-acre Lake Barkley State Park is located 90 miles northwest of Nashville, Tennessee, 65 miles southeast of the Illinois – Kentucky border, near I-24, west of Hopkinsville in Trigg County, Kentucky.

Exhibit 17. Lake Barkley State Park Location



Lake Barkley State Park is located on the Little River Bay of Lake Barkley. The State Park offers opportunities for fishing, camping, picnicking, hiking and other outdoor recreational pursuits and is opened year round.

Lake Barkley is a multiple-purpose project designed for flood control, navigation, and hydropower. Barkley Dam was authorized in the River and Harbor Act of 1954. The U. S. Army Corp. of Engineers owns 1800 acres of the property on which the park was developed. This property is leased to the Commonwealth of Kentucky for one hundred years. The Commonwealth purchased an additional 1700 acres of land to complete the development. The Commonwealth owns all facilities.

3.5.2 Available facilities and recreational activities

- ❑ The Barkley Lodge complex provides a lake view from the private balconies of most of the 120 rooms and four suites. There is a gift shop located in the lodge. The Little River Lodge offers 10 rooms and one suite and may be rented as a whole unit. A swimming pool fronting the lodge between the lake and the lodge is for the exclusive use of lodge and cottage guests.
- ❑ For more private accommodations, there are nine two-bedroom, two-bath cottages with lake or wooded views and four two-bedroom log cabins. Each offers screened-in porches or decks. Tableware, cooking utensils and linens are provided, with fresh linen provided daily.
- ❑ The Lake Barkley Convention Center can host large meetings. Equipped for banquets, this center can accommodate 500 guests. Two private meeting rooms in the lodge can accommodate groups up to 150 guests.
- ❑ The campground has 78 sites with utility hookups, a dump station, and two central service buildings with showers and rest rooms. The campground is closed during winter.
- ❑ The fitness center facility is equipped with nautilus machines, fitness cycles, Olympic free-weight room, leverage equipment, aerobic classes, glass racquet ball court, tanning beds, sauna, wet-steam room, whirlpool, and locker rooms. Lodge and cottage guests can use the new heated indoor wellness pool, designed as an addition to the fitness center, free of charge. Persons staying at nearby resorts can buy individual daily memberships. These daily fees are discounted for Lake Barkley Resort campground and marina guests.
- ❑ The marina is one-half mile from the lodge and offers 112 covered slips, 60 open slips, and a launching ramp. Rental fishing boats, pontoon boats, and ski boats are available.

- ❑ The State Park features the 18-hole Boots Randolph Course. A pro shop, rental riding carts, pull carts, and golf clubs are available. Golf packages are offered. The course is open year-round, weather permitting.

| Table 20. Lake Barkley State Park Resort- Activities, Fees and Rates | | |
|---|--|---|
| Facility/Activity | Rates/Fees/Availability | Notes |
| Rooms | \$52 - \$175 ¹ | 120 Rooms |
| Cabins | \$133 - \$170 ¹ | 13 Cabins |
| Conference Center | 50\$ - 100\$ ² | 5 Rooms, 6,627 square feet, Individual group pricing |
| Golf Course | \$9 - \$25 ³ | Pro Shop, Cart rentals - \$11 per person |
| Pool/Aquatic Center (Outdoor pool for lodge guests only) | No charge for resort guests for Indoor pool, Charges for other spa services (e.g. massages) apply, daily admission available | Indoor/Outdoor; Indoor Fitness/Wellness Center w Jacuzzi, Sauna, Spa Treatments |
| Restaurant | | Full Service |
| Stables | N/A | |
| Fishing | \$6 - \$35 | Kentucky Fishing License |
| Hiking | √ | Trail miles 9 |
| Biking | √ | Trail miles 7 |
| Picnicking | √ | Shelters available |
| Swimming Beach | √ | |
| Beach Concession | √ | |
| Miniature Golf | √ | |
| Nature Center | √ | |
| Tennis Courts | √ | |
| Game Room | √ | |
| Summer Programs | √ | |
| Marina/Docks | | Boat rentals |
| Boating Limits | | UNL = unlimited horse power |
| Seasonal Dock Rental | # 172 | |
| Launch Ramps | # 1 | |
| Camping/Campsites | \$15/78 | with electric hook-up, closed November through April |
| Pets Permitted | √ | |
| Showers | √ | |
| Flush Toilets | √ | |
| Dump station | √ | |
| <i>Source: Kentucky Department of Parks, Lake Barkley State Park</i> | | |

- ❑ The public beach offers a volleyball court, bathhouse, and hours of swimming fun in the waters of Lake Barkley. Two tennis courts near the lodge are available for the

¹ rates vary by season, weekday, room/cabin type, double occupancy, per night

² rates vary by number of participants, type of room, season

³ rates vary by holes played (9/18), weekday and season

exclusive use of overnight guests. There are on three self-guiding trails, providing 9 miles of nature study. Seven miles are open for mountain biking. There is picnic shelter near the beach as well as picnic tables, grills, and playgrounds through out the park. A recreation director organizes daily summer activities and year-round special events for children and adults.

3.5.3 Operational Characteristics

The State of Kentucky owns and manages facilities of Lake Barkley State Park, including the lodge, the cabins, the meeting facilities and the golf course.

At this time the Marina is the only concession operation. This is a five-year lease agreement. The operator pays a flat base fee per year paid in twelve equal payments. Additionally, they pay 5% commission on certain types of sales.

All funding for park operations and capitol needs are appropriated from the General Fund as part of the Executive Branch budget. All revenues generated by parks are returned to the general fund. The one exception to this is the Parks Department Capitol Maintenance and Renovation Fund (CMRF). This program allows parks to put a designated portion of specified income sources (an example is accommodation rental) into the CMRF. This money is designated for maintenance and renovation purposes only.

In 2002, 563 events were held at the meeting facilities. The average number of attendees was 150, the most popular type of events were business meetings and family reunions.

| Table 21. Lake Barkley SP Statistical Summary | | | | |
|--|---------------------------|-----------------------|---------------------------|-----------------------|
| Total Visitation | 2001 | | 2002 | |
| | 356,672 | | 340,242 | |
| | | | | |
| | 2001 Nights sold | Occupancy Rate | 2002 Nights sold | Occupancy Rate |
| Lodge | 25,842 | 59% | 24,966 | 57% |
| Cabin | 2,989 | 63% | 3,084 | 65% |
| Campground | 2,457 | 15% | 1,802 | 11% |
| | | | | |
| Golf Course | 2001 Rounds played | | 2002 Rounds played | |
| 18-hole | 21,739 | | 20,420 | |
| <i>Source: Lake Barkley State Park</i> | | | | |

The indoor pool has improved winter business in the lodge, caused a 30% increase in Fitness Center Memberships according to the state park, and provided an opportunity to generate additional revenue through fees for water based exercise programs and pool parties. Daily admission fees for lodge and cabin guests are at no charge, for campers at \$5.00 and for walk-in visitors at \$8.00.

The park also sells a variety of memberships, both individual and corporate, in the local community and surrounding area. Prices range from \$250 to \$412 annually for individual

and family memberships. Corporate memberships begin at \$1,000 for a minimum of five persons. In 2002 a total of 31,929 visitors used the fitness center facilities. This includes members, lodge guests, and daily fee users.

3.6 Case Study 5- Eagle Creek State Park Resort

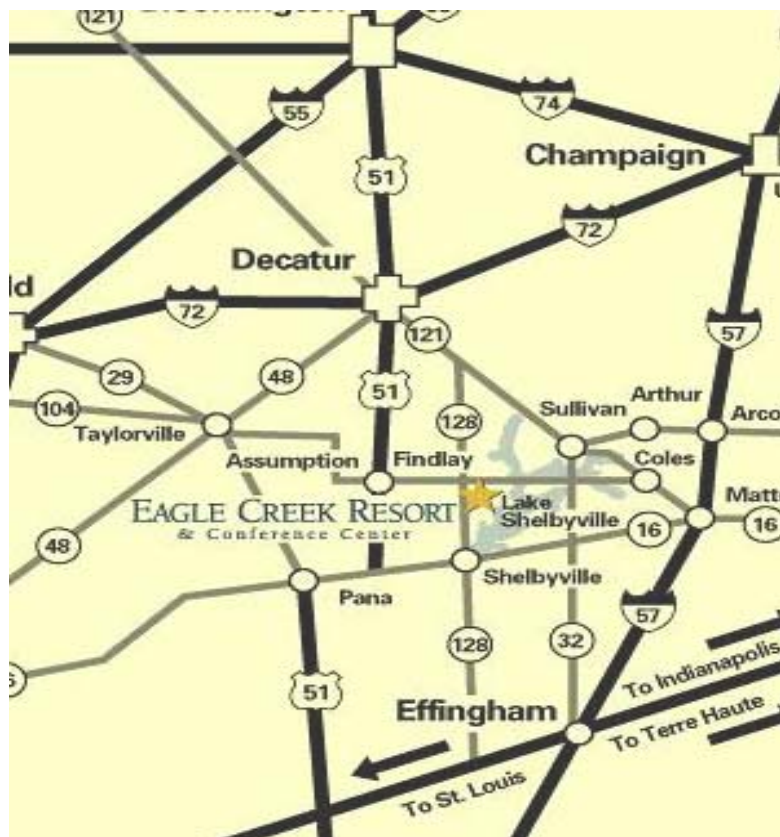
3.6.1 Location

The 2,200-acre Eagle Creek State Park is located in east-central Illinois, 35 miles south of Decatur, approximately 120 miles east of St. Louis and 140 miles west of Indianapolis, near Findlay in Shelby County, Illinois. Eagle Creek State Park is located on the west side of Lake Shelbyville. The State Park offers opportunities for fishing, camping, picnicking, hiking and other outdoor recreational pursuits and is opened year round.

Exhibit 18. Eagle Creek State Park Location

The Flood Control Act of 1958 authorized the Shelbyville Reservoir Project, which involved construction of a dam and creation of a lake. These practical necessities, however, would also allow for the actual conservation of fish and wildlife and the development of areas for exciting and varied recreational opportunities.

The United States Army Corps of Engineers did most of this work, and the land is now managed by the State of Illinois on a long-term lease from the federal government, which began in 1968. By 1972, the area was open to the public providing primitive camping facilities. In the years since then, the State has purchased additional surrounding lands and made extensive improvements in campground, boat launches, day-use areas and hiking trails that make this a well-tended and well-managed natural retreat.



3.6.2 Available facilities and recreational activities

- ❑ The Eagle Creek Resort features 138 luxurious guestrooms including 10 executive suites with fireplaces. Rooms are furnished with country furniture and charming accents and each has a patio where guests can enjoy views of the countryside and lake area. An indoor swimming pool, whirlpool, saunas and exercise room are available for year round activity.
- ❑ A special feature of the Eagle Creek Resort, besides its eight room conference and meeting facilities, is the detached Eagle's Nest Conference Retreat. The retreat contains a large conference/lounge area with a fireplace, eight sleeping rooms, a full-service kitchen and wet bar.
- ❑ The State Park features an 18-hole golf course with driving range. A pro shop, rental riding carts, pull carts, and golf clubs are available. Golf packages are offered. The course is open year-round, weather permitting.
- ❑ There are 35 Class A reservable sites with electricity, showers, water hydrants, fire blocks and picnic tables. Class B/S, and Class D sites are available but not reservable. The Organized Group Camp area is reservable.
- ❑ A four-lane launching ramp, adjacent to a 175-car parking lot is available. In addition, there are two marinas on the lake providing a full range of boating and fishing supplies.
- ❑ Three marked nature trails are available in the forest, as well as a 12-mile backpack trail and a three-mile cross-country ski trail for invigorating wintertime activity.
- ❑ Eagle Creek State Park has several fully developed picnic areas, complete with grills, tables, water and sanitary facilities, through out the park area.

| Table 22. Eagle Creek State Park Resort - Activities, Fees and Rates | | |
|---|--------------------------------|--|
| Facility/Activity | Rates/Fees/Availability | Notes |
| <i>Rooms</i> | \$ - \$ ¹ | 138 Rooms |
| <i>Cabins</i> | - | - |
| <i>Conference Center</i> | \$ - \$ ² | 8 Rooms, total of 6,892foot, plus the Eagle's Nest conference retreat, large conference/lounge, eight sleeping rooms, a full-service kitchen, individual group pricing |
| <i>Golf Course</i> | \$55 ³ | Pro Shop, Cart rentals |
| <i>Pool/Aquatic Center</i> | Only for resort guests | Indoor/Outdoor pool, whirlpool and sauna |
| <i>Restaurant</i> | √ | Full Service |
| <i>Stables</i> | No | - |
| Fishing | \$5.50 - \$24.50 | Illinois Fishing License |
| Hiking | √ | 3 Trails, plus 12 mile backpack trail |
| Horse back riding | No | Equestrian Trail at Wolf Creek SP on other side of the lake |
| Bicycle | √ | Rentals available for \$5/hour |
| Picnicking | √ | Shelters available |
| Swimming Beach | No | At Wolf Creek SP on other side of the lake |
| Beach Concession | No | |
| Miniature Golf | √ | |
| Nature Center | No | |
| Tennis Courts | √ | |
| Game Room | √ | |
| Summer Nature Programs | No | At Wolf Creek SP on other side of the lake |
| <i>Marina/Docks</i> | Yes | Motor and pontoon boats, jetski rental |
| Boating Limits | | 10 horse power |
| Seasonal Dock Rental, # | √ | Free |
| Launch Ramps, # 1 | √ | |
| <i>Camping/Campsites</i> | \$11/35 | 35 with electric hook-up |
| Pets Permitted | √ | |
| Showers | √ | |
| Flush Toilets | √ | |
| Dump station | √ | |
| Youth/Group Camp | \$2 per day&person | Capacity 30 persons |
| <i>Source: Illinois Department of Natural Resources; Eagle Creek Resort</i> | | |

¹ rates vary by season, weekday, room/cabin type, double occupancy, per night

² rates vary by number of participants, type of room, season

³ rates vary by holes played (9/18) and weekday and season

3.6.3 Operational Characteristics

Eagle Creek State Park is one of 8 Illinois State Parks, offering lodge, cabin and conference facilities with various recreational activities like golf, boating, hiking and camping.

The State of Illinois leased the land to the concessionaire on a long-term contract. The concessionaire developed and built the facility, which was financed through the sale of construction bonds. The State of Illinois built the roads within the state park. The rest of the infrastructure was the concessionaire's responsibility.

The annual visitation of Eagle Creek State Park remained stagnant with 346,492 in 2001 and 346,598 in 2002. The occupancy rate of the lodge decreased by 4% from 40% in 2001 to 36% in 2002.

| Table 23. Eagle Creek Statistical Summary | | | | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| Total Visitation | 2001 | | 2002 | |
| | 346,492 | | 346,598 | |
| | | | | |
| | 2001 Nights sold | Occupancy Rate | 2002 Nights sold | Occupancy Rate |
| Lodge | 20,148 | 40% | 18,133 | 36% |
| Cabin | No cabins | | | |
| Campground | N/A | N/A | N/A | N/A |
| | | | | |
| Golf Course | 2001 Rounds played | | 2002 Rounds played | |
| 18-hole | N/A at this time | | N/A at this time | |
| <i>Source: Illinois Department of Natural Resources; Eagle Creek Resort</i> | | | | |

4 DEVELOPMENT COMPONENTS

4.1 Accommodation Market

ERA obtained a list of hotels from a nine-county area around Rathbun Lake and the proposed resort from Smith Travel Research – a recognized leader on lodging data in the U.S. The counties analyzed included: Monroe, IA, Appanoose, IA, Wayne, IA, Lucas, IA, Davis, IA, Wapello, IA, Mercer, MO, Putnam, MO and Schuyler, MO (there were no lodging facilities listed for all 3 Missouri counties).

| Table 24. Hotel Listing in the 9-County Area around Rathbun Lake | | | |
|---|-----------------|---------------|------------------------|
| Name | City | County | Number of Rooms |
| INDIAN HILLS INN | ALBIA, IA | Monroe | 52 |
| CLOSED - DAYS INN OTTUMWA | OTTUMWA, IA | Wapello | 0 |
| HEARTLAND OTTUMWA | OTTUMWA, IA | Wapello | 85 |
| INN TOWNER | OTTUMWA, IA | Wapello | 22 |
| STARDUST MOTEL | OTTUMWA, IA | Wapello | 41 |
| COLONIAL MOTOR INN | OTTUMWA, IA | Wapello | 26 |
| PARKVIEW PLAZA HOTEL & SUITES | OTTUMWA, IA | Wapello | 40 |
| SUPER 8 OTTUMWA | OTTUMWA, IA | Wapello | 62 |
| FAIRFIELD INN OTTUMWA | OTTUMWA, IA | Wapello | 62 |
| DAYS INN OTTUMWA | OTTUMWA, IA | Wapello | 44 |
| AMERICINN OTTUMWA | OTTUMWA, IA | Wapello | 54 |
| SOUTH FORK MOTEL | BLOOMFIELD, IA | Davis | 22 |
| ROYAL REST MOTEL | CHARITON, IA | Lucas | 27 |
| SUPER 8 CHARITON | CHARITON, IA | Lucas | 35 |
| NODYROC MOTEL | CORYDON, IA | Wayne | 21 |
| MOTEL 60 | CENTERVILLE, IA | Appanoose | 52 |
| SUPER 8 CENTERVILLE | CENTERVILLE, IA | Appanoose | 43 |
| DON ELEN MOTEL | CENTERVILLE, IA | Appanoose | 25 |
| LAKESIDE INN | MORAVIA, IA | Appanoose | 13 |
| <i>Source: Smith Travel Research; ERA</i> | | | |

There were 19 hotels in the six counties with hotels listed (though one is listed as having closed), totaling 726 rooms. Only the Lakeside Inn is directly at Rathbun Lake, most facilities are in Ottumwa. The Heartland Hotel in Ottumwa is the largest facility with 85 available rooms.

Performance data are unavailable for this area. Conversations with hotels indicate that the average occupancy rate (AOR) is approximately 50% and the average daily rate (ADR) is approximately \$55. Few hotels offer swimming pools and one offers equipped meeting facilities, but there is no hotel in the area that is similar in scope to the proposed resort lodge in terms of amenities and facilities.

In order to better understand the dynamics of the lodging market in Iowa, ERA analyzed Smith Travel Research statewide data.

Historically, the AOR of the metro area has experienced decreases throughout the last five years, with a slight recovery between 2001 and 2002. The AOR in 2002 was 54.8 percent. The average daily rate (ADR) of the state was \$58.04 in 2002, similar to the previous year. The following table shows the historic AOR and ADR rates for the Iowa hotel market.

| Table 25. Iowa Hotel Market Historic Statistics | | | | | |
|--|---------|---------|---------|---------|---------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| Average Occupancy Rate (AOR) | 59.80% | 58.30% | 56.00% | 54.70% | 54.80% |
| AOR Percent Change | N/A | -2.51% | -3.95% | -2.32% | 0.18% |
| Average Daily Rate (ADR) | \$52.92 | \$55.21 | \$56.87 | \$57.76 | \$58.04 |
| ADR Percent Change | N/A | 4.33% | 3.01% | 1.56% | 0.48% |

Source: Smith Travel Research

The state market had minimal increases in percentages of room revenues, rooms sold (demand), and rooms available (supply) between the years 2001 and 2002. Growth levels in these areas were higher in the late 1990's, particularly between 1997 and 1998. The following table shows the historic changes in these three areas.

| Table 26. Iowa Hotel Market Historic Statistics (% Change) | | | | | |
|---|---------|---------|---------|---------|---------|
| | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 |
| Room Revenue | 14.3 | 5.6 | 1.5 | -0.3 | 2.2 |
| Rooms Available | 5.5 | 3.7 | 3.0 | 2.5 | 1.5 |
| Rooms Sold | 10.0 | 1.2 | -1.2 | -0.7 | 1.7 |

Source: Smith Travel Research

Looking at national trends between lodging locations, highway lodging historically has the lowest occupancy rates, followed by suburban locations and resorts.

For this reason and based on the results from case studies, ERA estimates that the proposed resort lodge would have higher AORs compared to the other Rathburn Lake area lodging establishments, estimated at 52% to 62%. This appears reasonable, because the proposed resort will combine more amenities in one location and will thus be more attractive to Rathburn Lake area guests as well as corporations and associations on the meeting demand markets. A lodge with more amenities, quality meeting facilities, a well-designed aquatic facility, a state of the art golf course and other recreational activities will

also be able to demand a higher room rate. In the financial analysis we will recommend the room rate based on the regional market, the competition, and the resort product.

The sources of demand from the resident and leisure market are discussed in the following section. An alternate analysis summarizes this section.

4.1.1 Leisure Demand

This section estimates overnight demand from the trade area. Demand represents leisure trips to the proposed resort.

Current Lodging Demand

The resident market will create demand from two sources. The first is from the general hotel market and the second from the special events generated by the resident market, which is discussed in the meetings section. There are several rooms from our hotel inventory that are close enough to compete with Honey Creek; they contain 322 at 50 percent occupancy. This generates nearly 59,000 room nights demanded. If the resort can capture 3 percent of this total, this will support about 8 hotel rooms.

Primary Market

The population of the primary market is projected to reach 2.4 million by 2008. ERA assumed that the target market is households that have a total annual income of more than \$75,000 or about 30% of the market in 2008. Of this total the capture at the resort would be 1 percent, or 6,900 people. These would be coming for a weekend escape or vacation and would average 2 persons per party and stay on average 1.5 nights, creating 5,200 room nights of demand.

Secondary Market

The secondary market has a population of 17.2 million and is projected to reach 18 million by 2008. It is the largest market but it is also the most distant market, 130 to 270 miles away from the proposed resort. The competitive market therefore is much larger. Potential visitors, who plan to travel that distance, do have a wider choice of similar destinations. Therefore the market capture is estimated to be very small. This trade area of 18 million will have about 36% of its population with annual incomes over \$75,000 in 2008. Because of the added distance visitors from this market will on the average stay longer. Our applied capture rate is approximately one third that of the primary area, or 0.35 percent creating a total potential of 21,875 each year. This market would be expected to come in larger (family) groups of say, 3 persons, and stay for an average of 2.5 nights. This would create demand for about 18,200 room nights, assuming that on average each party occupies one room.

The two markets total 23,400 room nights or 107 rooms annually at 60 percent occupancy, which is reinforced by the information in the next section.

4.2 Conference & Meetings Market

This section discusses the nature of meetings, conferences and events generated by corporations, associations and the SMERF (social, military, educational, religious, and fraternal) market. It also estimates demand from each of the markets.

4.2.1 Business Establishments in Iowa

A conference lodge will draw largely from meetings and events held by businesses (generally those businesses with 50 or more employees) and associations in the state of Iowa.

In 2001, there were almost 80,400 establishments registered in Iowa with approximately 4,200 (5%) with 50 employees or more. The number of establishments with 50 or more employees decreased by 1.6% between 2000 and 2001, while it increased by 2.1% between 1999 and 2000. There was a net gain of 21 establishments in this category between 1999 and 2001.

The following table shows total number of establishments by sector, number of larger establishments with 50 or more employees and percent of larger establishments to total establishments by sector. The retail trade sector has the highest number of establishments in with 14,200 establishments. Larger establishments (50 employees or more) in retail trade represent 4% of the total in this category. Auxiliary and manufacturing establishments had the highest ratio of large establishments to total establishments in their respective sectors with both representing 22%.

According to Meetings Market 2002 Survey, choice of location is price sensitive and highly dependable on availability of hotel rooms and meeting space for corporate meetings, association meetings and association conventions.

The proposed property should therefore be competitively and reasonably priced to capture more of Iowa's corporate and association meetings and potentially meetings from neighboring states.

According to the International Association of Conference Centers, meetings held at conference resorts are largely in-state business with some coming from the region.

Table 27. Establishments By Sector in Iowa 2001

| Sector | Total Establishments | Establishment over 50 employees | Percent of Total |
|--|-----------------------------|--|-------------------------|
| Forestry, fishing, hunting, and agriculture support | 284 | 7 | 2% |
| Mining | 192 | 6 | 3% |
| Utilities | 292 | 41 | 14% |
| Construction | 8,526 | 172 | 2% |
| Manufacturing | 3,721 | 829 | 22% |
| Wholesale trade | 5,020 | 220 | 4% |
| Retail trade | 14,239 | 638 | 4% |
| Transportation & warehousing | 3,286 | 118 | 4% |
| Information | 1,675 | 141 | 8% |
| Finance & insurance | 5,453 | 208 | 4% |
| Real estate & rental & leasing | 2,589 | 26 | 1% |
| Professional, scientific & technical services | 5,601 | 108 | 2% |
| Management of companies & enterprises | 442 | 77 | 17% |
| Admin, support, waste mgt., remediation services | 3,341 | 246 | 7% |
| Educational services | 616 | 97 | 16% |
| Health care and social assistance | 7,138 | 734 | 10% |
| Arts, entertainment & recreation | 1,298 | 59 | 5% |
| Accommodation & food services | 6,436 | 369 | 6% |
| Other services (except public administration) | 9,487 | 99 | 1% |
| Auxiliaries (exc. corporate, subsidiary & regional mgt.) | 148 | 32 | 22% |
| Unclassified establishments | 608 | 0 | 0% |
| Total | 80,392 | 4,227 | 5% |

Source: U.S. Census Bureau - County Business Patterns

4.2.2 Meetings Market Demand

In terms of meetings, the meeting facility in the proposed lodge would likely attract mainly smaller corporate and association meetings and seminars. In addition, the proposed properties would likely be attractive for special events such as weddings, reunions from the resident and the primary visitor markets.

The following discussion addresses relevant historical statistics and facts. There are several well-known industry publications which have surveyed the respective industries over the past 15 years, including *Meetings and Conventions Magazine* (M&C), *Facilities Magazine*, *Directory of Conventions*, and *Amusement Business*. Background information was also gained from the Urban Land Institute, the American Planning Association, and the Center for Exhibition Industry Research, supplanted by ERA experience with respect to conference facility development across the U.S.

Historical Trends

To gain a sense of overall trends in meeting activity for corporate, association, and convention groups, ERA analyzed a series of biannual surveys generated by M&C between 1991 and 2001. The surveys identify overall trends relating to number of total meetings and attendance, as well as more specific trends relating to event duration, exhibit space needs, site selection criteria, and other factors. The following table identifies changes in the number of meetings held by major convention, corporate, and association groups between 1991 and 2001, as determined by a survey of M&C readership.

| Table 28. Number of Corporate, Association, and Convention Meetings | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Event | 1991 | 1993 | 1995 | 1997 | 1999 | 2001 |
| Corporate | 806,200 | 801,300 | 797,100 | 783,900 | 835,700 | 844,100 |
| Association | 215,000 | 206,500 | 175,600 | 189,500 | 174,200 | 177,700 |
| Convention | 10,200 | 11,800 | 10,900 | 11,300 | 11,600 | 11,800 |
| Total | 1,031,400 | 1,019,600 | 983,600 | 984,700 | 1,021,500 | 1,033,600 |
| <i>Source: Meetings Market Survey 2002</i> | | | | | | |

Over the 1991 to 2001 time period, corporate events have generated between 78% and 82% of this meeting activity, and have remained at 82% in 1999 and 2001. Association meetings have made up a smaller share of the surveyed meetings, between 17% and 21%. Convention events have made up the smallest share of the meetings market, with about one- percent of the total activity.

The most notable trend in the above table is the highly cyclical nature of all meeting market segments at the national level. A significant decline occurred in the corporate and association meeting segments over the 1991 to 1995 period, when a combination of national economic conditions, and international political events combined to reduce demand for meeting space. Corporate meetings continued to decline through 1997 then had its highest level of the decade in 1999 with 835,700 meetings. Corporate meetings again increased in 2001 reaching 844,100 meetings, the highest in 10 years. Association meetings decreased by 8% in 1999 compared to 1997, but showed a slight increase (2%) in 2001 from 1999. The number of conventions has varied from year to year with no regular pattern. From ERA's perspective, a mixed-use development helps to insulate the project from national uncertainty, by allowing the project to tap into different markets at different times.

Aggregate attendance also follows this cyclical pattern following national cycles. The following table shows that corporate meeting attendance reached a height of about 55 million in 1993, but has since then dropped. Corporate meeting attendance has been slowly increasing since its fall in 1995 and has remained at around 51 million since 1999. Association attendance fluctuated over the past decade with a 10-year drop of attendance of 29%. In 1995, association attendance reached its lowest point at 15 million and has only increased to 15.9 since. Within the association category, ERA noted significant growth was recorded in educational seminars and professional/technical meetings. The convention event category has shown the most volatility, by comparison, but has also remained relatively constant since 1999 at 12 million.

| Table 29. Attendance at Corporate, Association, and Convention Events (000s) | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Event | 1991 | 1993 | 1995 | 1997 | 1999 | 2001 |
| Corporate | 49,565 | 55,090 | 49,326 | 49,868 | 51,014 | 51,500 |
| Association | 22,544 | 18,748 | 15,121 | 17,939 | 15,599 | 15,900 |
| Convention | 8,644 | 11,800 | 12,987 | 11,707 | 12,306 | 12,500 |
| Total | 80,753 | 85,638 | 77,433 | 79,514 | 78,919 | 79,900 |
| <i>Source: Meetings Market Survey 2002</i> | | | | | | |

The figures in the above table do not include spouse attendance, which can be significant for convention and association events. According to M&C surveys, spouse attendance has ranged between 40% and 45% of convention attendance, between 12% and 15% of other association meeting attendance, and between 10% and 21% of corporate meeting attendance. The ratio of spouse attendance to total attendance also mirrors economic trends. In ERA's experience, while the spouse may not attend meetings, they will certainly go shopping, visit tourist attractions, and generate other economic impacts. This is particularly true for events held at retreat or resort locations.

The following table identifies average attendance per event for each type of meeting. Overall corporate events draw an average of about 60 people, other association events draw an average of about 90 people, and conventions draw significantly more, at about 1,000 people per event on average. While the average is quite high, roughly 62% of reported attendance was generated by conventions with less than 500 delegates. This indicates a significant market for second and third tier facilities in terms of size.

| Table 30. Average Attendance per Event | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Event | 1991 | 1993 | 1995 | 1997 | 1999 | 2001 |
| Corporate | 61 | 69 | 62 | 65 | 61 | 61 |
| Association | 105 | 91 | 86 | 95 | 90 | 89 |
| Convention | 847 | 908 | 1,191 | 1,036 | 1,061 | 1,059 |
| Total | 78 | 84 | 79 | 81 | 77 | 77 |
| <i>Source: Meetings Market Survey 2002, Economics Research Associates</i> | | | | | | |

A significant industry trend in the meetings market is the increasing use of exhibit space by convention groups. Conventions formerly required an average of about 20,000 square feet, but have required about 35,000 to 45,000 square feet over the last several years. The break-down of net square footage trends suggest that since 1983, larger conventions have increased their use of exhibit space as compared to smaller conventions, which appear to have decreased their exhibit space needs. This increase in exhibit space for large conventions is fueling the rapid expansions of the largest facilities.

The Meetings Market surveys highlight the seasonality of convention events. Convention groups are generally more interested in fall dates, compared to spring, summer, and winter dates. A majority of 2001 survey responses (38%) indicated a main interest in fall dates, i.e. during September, October, and November. The spring and summer convention

seasons were secondary, with about 30% of total event activity. The winter season is typically the slowest based on survey responses, with about 12% of total activity. A review of survey results over the 1985 to 1998 period suggests that the majority of convention events have occurred on an annual basis.

From a marketing standpoint, the seasonality of convention business is vital. Facility marketing needs to focus on booking conventions during months (typically in the fall) when there are a majority of association groups looking for an event destination. Facilities typically respond to this challenge by developing a marketing plan that places precedence first on long-term (beyond 12 months) bookings for major conventions, and then on short term or filler business, which is typically booked by the facility within 6 to 12 months. Resort and retreat locations are driven more by the seasonal elements of the location. (I.e. ski-related conference centers are busiest in January and February, while golf-related resorts are busiest in the summer. A facility that serves multiple markets is in a better market position to overcome seasonal lags.

Destination Selection

The following table highlights survey responses concerning important location factors in selecting a site for a convention, association, or corporate event. As noted, the availability of hotels and meeting facilities is a major concern for corporate and association groups, along with affordability and transportation cost issues, particularly for convention and association groups. Based on historical survey responses from the 1991 to 2001 period, it appears that these issues have been consistent concerns for meeting planners, who are always trying to maintain a concentration of attendees at a single location and reduce travel time, both of which maximize the value of a meeting.

Table 28 indicates that, the most important factors are availability of facilities and cost issues. It should be noted that, compared to previous year surveys, increased importance is being placed on the availability of recreational facilities, particularly golf, for both corporate meetings and association convention events. A primary component of this growth is corporate incentive trips, which also place emphasis on climate and sightseeing. These factors feed the success of the events activity in locations like Las Vegas, Orlando, and Atlanta.

Table 31. Factors Considered Important in Selection of Destination

| Factors Considered "Very Important" | Corporate Meetings | Corporate Incentives | Association Conventions | Association Meetings |
|--|--------------------|----------------------|-------------------------|----------------------|
| Availability of Hotels or Meeting Facilities | 75% | 60% | 80% | 70% |
| Affordability of Destination | 68% | 52% | 75% | 76% |
| Safety/Security of Destination | 57% | 70% | 51% | 45% |
| Ease of Transporting Attendees | 57% | 52% | 50% | 50% |
| Distance Traveled by Attendees | 49% | 37% | 49% | 54% |
| Transportation Costs | 49% | 45% | 39% | 43% |
| Clean / Unspoiled Environment | 35% | 56% | 31% | 28% |
| Climate | 30% | 78% | 23% | 19% |
| Mandated by by-laws | 26% | 26% | 26% | 23% |
| Availability of Recreational Facilities | 24% | 83% | 19% | 16% |
| Sightseeing/Culture | 17% | 78% | 19% | 17% |
| Image of Location | 13% | 67% | 11% | 11% |

Source: Meetings Market Survey 2002

Corporate meeting activity is concentrated in several key regions, including the middle- and south Atlantic states, the Pacific region, and the Midwest. This is confirmed through surveys conducted by M&C. Within these regions are several states that capture a majority of corporate meeting activity, including California, Florida, Illinois, Nevada, New York, Texas, and Arizona. The M&C report notes that major conventions are held primarily in the South Atlantic and Pacific regions including Florida, Georgia, Washington D.C. and California. Texas is also listed as popular state for major conventions.

Facility Selection

In addition to location, there is a range of facility attributes that are important in the selection of meeting facilities. Association meeting and convention groups view costs as primary decision factors, although convention groups see the number, size, and quality of meeting rooms as more important. Of note is the importance conventions place on sleeping rooms, as compared to corporate and association meetings. Corporate groups see food quality as the most important consideration, followed by facility quality and costs. Area recreational, dining, and entertainment amenities follow management issues in terms of importance.

Conference centers are increasingly providing high technology capabilities for delegates, including fiber optics and high speed computer lines for Internet access, video conferencing, etc. Between 1995 and 2001 corporate meetings use of video conferencing increased from 21% to 27% of meetings held, while association meetings decreased from 14% to 11%. These capabilities will be particularly important for any new meeting facilities, since it is more difficult to retrofit. ERA also noted that industry professionals have suggested that new technologies, such as the Internet, will make teleconferencing more attractive, gradually reducing demand for conference space. However, while new technology is more pervasive than ever, particularly in communications, ERA's

experience would suggest that there will always be a need for face-to-face meetings. In general, most companies and associations view teleconferencing as a cost saving measure, with tradeoffs in terms of meeting productivity. Therefore, we see no real decline in the demand for meeting space.

Table 32. Type of Facility Used for US Meetings

| | Association Meetings | Percent | Corporate Meetings | Percent |
|---|----------------------|---------|--------------------|---------|
| Downtown Hotel | 89,000 | 47% | 423,500 | 42% |
| Suburban Hotel | 37,900 | 20% | 141,200 | 14% |
| Resort Hotel (not including golf resorts) | 11,400 | 6% | 110,900 | 11% |
| Convention Center | 1,900 | 1% | 100,800 | 10% |
| Airport Hotel | 11,400 | 6% | 70,600 | 7% |
| Golf Resort | 3,800 | 2% | 50,400 | 5% |
| Suite Hotel | 1,900 | 1% | 20,200 | 2% |
| Gaming Facilities | - | - | 10,100 | 1% |
| Residential Conference Center | - | - | 10,100 | 1% |
| Non-Residential Conference Center | - | - | 10,100 | 1% |
| Other | 32,200 | 17% | 60,500 | 6% |
| Downtown Hotel | 89,000 | 47% | 423,500 | 42% |

Source: Meetings Market Survey 2002

- ❑ Downtown locations are utilized more than other locations, largely due to the synergies of concentrated entertainment, lodging, and meeting space options. For corporations, these use levels have been quite consistent; associations have changed somewhat.
- ❑ Traditional hotels (downtown, suburban, and airport) declined in popularity from the mid-1980s to the mid-1990s, with some recovery in the latest survey. Suite hotels were the primary beneficiaries of this movement. This shows there is demand for alternate sleeping accommodations. However the more recent shift back to traditional hotels means that a facility should offer a variety of room types.
- ❑ Convention Centers have also shown increasing popularity for corporate meetings. This means the larger facilities are servicing the smaller events better than they historically had, bringing new competition in the smaller events market.
- ❑ Notable increases have occurred in use of conference centers and golf resorts. This is important in light of the decline in popularity of resort hotels, implying that cost conscience users are seeking locations closer to home.
- ❑ It is important to note that almost all of the top categories include on-site sleeping accommodations, an important factor to consider when addressing the meetings industry.

4.2.3 Iowa Association Market

Economics Research Associates reviewed available data for Iowa based associations. The 2002-2003 Douglas Publications Association Meeting Planners Guide listed 138 Iowa-based associations. However, only one-third provided information on their events planning. Therefore, these figures are not quite representative of all associations in Iowa and should be used cautiously as basis to estimate demand. In addition to the published data, ERA interviewed a few associations to see whether the proposed resort will be a feasible location for their meetings.

Most of these associations book a venue one to two years in advance. Of about 35 associations, a majority holds one to six events per year, with a median of 3.5 events per year. There does not appear to be a particular month or months that events are held most often for these associations. Meeting events tend to last one to three days. Approximately 40 associations commented on the number of attendees for meetings, and half have events with under 50 people while most of these associations have meeting events with less than 200 attending. Twelve of 50 associations indicated that they use resort facilities for meeting venues. All 50 of these associations listed teleconferencing as a meeting facility type, while downtown facilities were the second most popular facility.

Of 44 responses, almost 80 percent listed downtown facilities as one of their types of venues for convention centers, following by airport locations and convention centers. Only one-third listed resorts as one of their types of convention locations. The most popular convention destinations in a six-year period were as follows: Des Moines, Las Vegas, Chicago, Atlanta, Kansas City, New Orleans, and Washington D.C.

In addition to analyzing the data in the Meeting Planners Guide, ERA contacted 12 of the listed associations to better understand their event planning characteristics, including the average number of functions they hold during a course of the year, where they typically hold the function, and how many typically attend these functions. The following chart shows the associations/organizations that were contacted:

| Table 33. Associations/Organizations Contacted | |
|---|--------------------------|
| Name of Association/Organization | Number of Members |
| Iowa Dental Association | 1,600 |
| American Agricultural Economics Association | 2,500 |
| Iowa Society Of CPAs | 3,700 |
| Iowa Academy of Family Physicians | 1,800 |
| Iowa Association of School Boards | 2,000 |
| Iowa Bankers Association | 400 |
| Iowa Business Council | N/A |
| Iowa Chiropractic Society | 700 |
| Iowa Engineering Society | 700 |
| Iowa Insurance Institute | 30 |
| Iowa State Bar Association | 5,500 |
| Iowa Veterinary Medical Association | 1,280 |
| <i>Source: Individual Associations/Organizations</i> | |

Some of the associations have only a large annual convention. For example, the Iowa Dental Association always has their annual convention in Des Moines and the American Agricultural Economics Association has their annual convention out of state. In either case, the proposed lodge would not be large enough to accommodate such large gatherings. Other associations tend to hold their functions in Des Moines because it is a central location easily accessible to all members. Examples of these associations include the Iowa Association of School Boards, the Iowa Engineering Society, and the Iowa Veterinary Medical Association. Finally, some smaller associations may hold events on a small scale and will primarily use public meeting space or downtown clubs, like the Iowa Business Council and the Iowa Insurance Institute.

Some associations have large annual meetings, but hold regional meetings and/or seminars at various times throughout the year in various locations around the state. These types of events would most likely be compatible with the proposed lodge's meeting/function space. The Iowa Society of CPAs has about 130 events throughout the year and holds most of its seminars in the Des Moines area. However, it will also hold some seminars in places like Cedar Rapids or Sioux City. Most of their educational seminars have between 20 to 35 people attend and require about 1,000 to 1,500 SF of space in a classroom setup. Most of their meetings are held in hotels, mainly because it is easiest to have the meeting at the lodging of the guest speaker. ERA described the proposed lodge and facilities to the meeting planner and this organization would not necessarily be interested in it because their meeting locations must be relatively close to major airports to accommodate guest speakers and it is more convenient to hold most of their classes in centrally-located Des Moines. As far as audio/visual aids are concerned, this group typically needs an overhead projector and microphones for its functions.

The Iowa State Bar Association is another association that has a large annual convention and smaller events throughout the year in various locations around the state. These events typically have 50 to 100 delegates attending. Almost all of these events are held at hotels with meeting space or resorts. They typically look for facilities that are on the water and a golf course. In the past, this association has held events at resorts at Okoboji and Pella. Because of their interest in locations with water and golf, the proposed lodge would be of interest to them for future meetings.

The Iowa Bankers Association has about 125 events throughout the year. These events vary in size between 10 and 200 delegates attending, and most are held in convention complexes or hotels with meeting space. The group has many seminars and tends to use three locations around the state. They would not be inclined to use the proposed facility's space because they would more likely stay in centrally located Des Moines.

The Iowa Academy of Family Physicians typically has four events around the state each year, with a typical attendance of between 20 and 200 delegates. One of these is held in Des Moines, while the other three are held in various Iowa locations. They have held events at resorts before (Okoboji) and would be interested in proposed lodge.

The Iowa Chiropractic Society has five statewide events each year. There are a fall and annual conventions, typically held in Des Moines. There are two events for new practitioners that generate about 25 people for each event. These two events are held in various locations in the state and the group typically looks for low-cost venues. They hold a summer event at the Okoboji resort that generates between 50 and 75 people. One comment regarding their event at Okoboji is that the room rates were on the high side (\$140 per night in July). The contact indicated that they would most likely not consider using the proposed facility because they don't have a large population in the southern part of the state.

In conclusions, some general consistencies noted across the conversations with these associations include the following:

- ❑ Most functions require space set-up in a classroom style.
- ❑ Most functions have basic requirements for audio-visual, including microphones, LCD projectors, a large screen to project images like Power Point slides, and high-speed inter-net access.
- ❑ Many of the smaller functions (i.e. not annual conventions) are held at hotels with meeting space.
- ❑ Des Moines remains a popular location for all types of meetings because it is centrally located (i.e. easily accessible to members in all areas of the state). It is close to a major airport (i.e. it is easier to hold events with guest speakers because they can fly in close to the event venue).
- ❑ Most of the non-annual convention events have an average attendance between 20 and 200 delegates.

4.2.4 Meeting Demand for the Resort

Based on the above data, the proposed resort would have to offer exceptional services and amenities to lure associations to hold their meetings and seminars at the resort. The resort, with the appropriate facilities and amenities, would have better opportunities at capturing some of the corporate meetings, corporate retreats and more regional meetings and seminars. Therefore, the resort is expected to cater mainly to smaller groups, local and regional groups that require shorter stays at the resort.

In terms of meeting facility requirements, it is recommended that the conference facility be flexible space that accommodates different events at the same time with different layouts. Classroom style will be required by most meetings and seminars, theatre style will be required for larger meetings and conferences, and banquet style will be required for dining and special events such as weddings. The recommended size is somewhere between 3,000 and 4,000 square feet.

Corporate Market

Based on the Economic Census 1997¹, the national average of meetings was 0.12 per corporation. Applying that to the total number of business establishments in Iowa, approximately 9,600 meetings will be held each year. According to the Meetings Market 2002 survey conducted by Meetings and Conventions magazine, 16% of all corporate meetings are held at hotel resorts. Applying this percentage to total meetings, approximately 1,540 meetings are held at resorts per annum.

To establish the proposed resort's share of the corporate meetings, we estimated that 60% of all corporate meetings will be held in-state (based on preferences of meeting planners and corporations in the Meetings Market 2002 survey). Therefore, an estimated 925 corporate meetings will be held at resorts in Iowa per annum. Assuming that the resort would capture 4 percent or 37 meetings per year with an average number of attendees of 35 people, and an average length of 2 nights, then this market would generate 2,590 room nights.

Association Market

The association market could prove more challenging to capture. However, assuming that the resort would be capable of holding approximately three association meetings per year with an average attendance of 75 people for 3 nights then this market would generate an additional 675 room nights.

SMERF Market

Activities related to SMERF (social, military, educational, religious, and fraternal) within the resident market that constitutes 90,000 households, in addition to churches, schools, clubs, etc. generate events throughout the year. Most events are local and are mainly daily events and/or events that do not require overnight stays at lodging facilities.

Social events generated by the resident market are projected to have minimal impact on the size of the resort or the meeting facilities. Events that would require overnight stays are most likely events that would be held at the resort such as weddings, reunions, and other special events. We project that this market would produce 500-1,000 room nights annually based on the assumption that guests would stay 2 nights and 2 per room. This translates to an average of 30 events with 25 people requiring overnight stay per event.

¹ Economic Census is conducted every 5 years; Economic Census 2002 is not yet available.

4.2.5 Demand Summary

The following table shows the projected demand by market. The number of rooms that support the demand is influenced by the average occupancy rate: the higher the occupancy the less needed rooms. As an industry rule of thumb, hotels use 65% average occupancy to justify development of lodging establishments. However, due to the nature of the market and the type of the proposed facility (State Park Lodge), ERA used 60% as the benchmark to calculate number of rooms. Therefore, the total number of lodging rooms required (excluding RV sites) and including cabins is 133 rooms. Assuming there are 25 cabins, then the recommended number of rooms for the Lodge is 108 rooms.

| Table 34. Lodging Demand Projections | |
|--|--------------------|
| Market | Room Nights |
| <u>Leisure</u> | |
| Capture of Current Demand | 1,763 |
| Primary Market | 5,200 |
| Secondary Market | 18,200 |
| <u>Business & Meetings</u> | |
| Corporate | 2,590 |
| Associations | 675 |
| SMERF | 750 |
| Total Room Nights | 29,178 |
| Average Occupancy Rate | 60% |
| Estimated Number of Rooms | 133 |
| <i>Source: Economics Research Associates</i> | |

4.3 Aquatic Center Market

The concept of indoor waterpark is relatively recent and generally not as well developed as the outdoor waterpark concept itself. Stand-alone indoor waterparks in the U.S. are smaller in size than outdoor ones and are often operated by the public sector. They usually include a large pool with children's play area and may have some small slides. They also tend to be part of civic centers that include a fitness center and other recreational areas.

Privately owned indoor waterparks are still relatively rare in the U.S. and have traditionally been attached to a hotel. In fact, to ERA's knowledge, the country's only indoor waterparks are attached to hotels. The majority of these facilities are located in the Wisconsin Dells, Wisconsin.

The indoor waterpark concept has begun to grow in popularity. There is a growing interest in developing indoor waterparks as part of resorts at destinations with a long winter season. There are examples of stand-alone indoor waterparks in Europe. Interestingly, most European waterparks are indoors due to weather factors yet few are part of a resort or any other type of accommodation. Alton Towers, the top theme park in

England, just opened the first indoor waterpark hotel in Europe last June, with the objective of becoming a year-round destination.

Wisconsin Dells has the largest known concentration of indoor waterpark hotels in the country, with approximately 17 indoor waterpark hotels of various sizes, catering mainly to the family market. According to the area's tourism bureau, Dells tourist visitations have exploded from 1.59 to 2.53 million between 1993 and 1998.

The following table shows that hotels with indoor waterparks achieved nearly 21 points higher occupancy and \$14 higher room rates annually than hotels with ordinary swimming pools. The hotels with indoor waterparks achieved 30 or more points of occupancy above typical hotels in the September – December period and achieved 20 or more points of occupancy above typical hotels in the January – April period. Hotels with indoor waterparks draw more overnight guests during the slower shoulder months and the low months compared to hotels with just an ordinary indoor swimming pool.

An industry rule of thumb indicates that a 100 to 150-room hotel may be able to generate enough additional income to support the investment of a 15,000 to 20,000 square foot indoor waterpark.

| Table 35. Survey and Comparison; Hotel with Pool – Hotel with Waterpark | | | | | | |
|--|--|-------------------|------------------------------------|-------------------|--------------------------------|-------------------|
| | Hotel with Indoor Swimming Pool | | Hotel with Indoor Waterpark | | Incremental Performance | |
| | Occupancy % | Average Room Rate | Occupancy % | Average Room Rate | Occupancy % | Average Room Rate |
| Jan | 17.3 | \$52.57 | 44.2 | \$66.29 | 26.9 | \$13.72 |
| Feb | 25.0 | \$52.57 | 46.2 | \$67.43 | 21.2 | \$14.86 |
| Mar | 17.3 | \$52.57 | 40.0 | \$75.43 | 22.7 | \$22.86 |
| Apr | 18.3 | \$52.57 | 42.3 | \$70.86 | 24.0 | \$18.29 |
| May | 34.6 | \$52.57 | 48.1 | \$68.57 | 13.5 | \$16.00 |
| Jun | 66.3 | \$72.00 | 67.3 | \$90.29 | 1.0 | \$18.29 |
| Jul | 94.2 | \$120.00 | 97.1 | \$145.14 | 2.9 | \$25.14 |
| Aug | 92.3 | \$120.00 | 96.2 | \$145.14 | 3.9 | \$25.14 |
| Sep | 50.0 | \$51.43 | 81.7 | \$109.71 | 31.7 | \$58.28 |
| Oct | 21.2 | \$52.57 | 51.0 | \$66.29 | 29.8 | \$13.72 |
| Nov | 8.7 | \$52.57 | 46.2 | \$67.43 | 37.5 | \$14.86 |
| Dec | 12.5 | \$52.57 | 47.1 | \$75.43 | 34.6 | \$22.86 |
| Year | 38.3 | \$83.13 | 59.1 | \$97.11 | 20.8 | \$13.99 |
| <i>Source: JLC Hospitality Consulting Inc, World Waterpark Association. Wisconsin Dells hotel survey in 2000</i> | | | | | | |

In conclusion, ERA recommends that the resort have mainly an indoor waterpark that is operational year-round in addition to a smaller outdoor area that includes either a wave pool with lounge area or a zero-depth entry pool with children splash area and a plunge pool with one or two slides for older children and adults. The proposed size of the waterpark is approximately 20,000 SF of which 15,000 SF is indoors.

4.4 Golf Market

The 2003 edition of the Golf Participation in the United States report published by the National Golf Foundation (NGF) included data from 2002. The following are the highlights from the 2003 report

- ❑ The NGF adopted the industry definitions that were set forth by the GOLF 20/20, the World Golf Foundation.
- ❑ Number of rounds decreased 3% from 2001 to 2002 to 502.4 million with an average of 19 rounds per golfer per annum. Number of rounds in the lower Midwest region was 85.6 million in 2002 down by 5.4% from the previous year.
- ❑ Number of golfers¹ increased slightly in 2002 to 26.2 million, an increase of 1.6% from 2001.
- ❑ Number of juniors, ages 5 to 17 years who played golf or visited a golf practicing facility, increased to 6.1 million in 2002 from 4.4 million in the previous year, almost 39% increase.
- ❑ Senior golfers, ages 50 years and older accounted for 33% of all golfers.
- ❑ Core golfers, golfers who played 8 to 24 rounds of golf in 2002, accounted for 26% of golfers, up 4% from the previous years. Avid golfers, those who played over 24 rounds of golf and averaged 63 rounds, accounted for 22% of golfers. However, this group accounted for approximately three-quarters of spending by golfers.
- ❑ The increase in newly constructed golf courses is attributed greatly to the daily fee courses. Golf courses are now being added to a larger development such as resorts and residential communities. (*Source: Industry Report 2003 – GOLF 20/20*)
- ❑ The average US golfer is almost 42 years old with an annual household income of \$74,100.

According to Golf 20/20, the number of golf rounds played in 2002 was 502.4 million down from 518.1 in 2001 and 518.4 in 2000. This is due to the decrease mainly in avid golfers in addition to occasional golfers. Number of avid golfers dropped from 6.3 million in 2000 to 5.8 in 2002. The industry expects that the number of golfers will at least increase at the same level of the population's growth. Typically, the market for golf is determined by the combination of surrounding demographics, the visitor and conference market, the corporate/business market, the quality of the course, and convenience of the location.

¹ Golfers are defined as adults ages 18 and above, who played at least one regulation round of golf in 2002.

Given these general rules, ERA generated golf demand estimates for residential, primary and secondary markets based on average national participation rates. Because of the fact that small children are not likely to participate in golf, the age groups use in the demand analysis are all ages older than 12 years.

With this limitation and based on the trade area market analysis, population estimates, for the residential market are 142,300, for the primary market 2.0 million and secondary market 13.7 million. The following table shows that, using the average national participation rate (regional/state data was not available), 17,086 golfers are estimated to be in the residential market by 2006, 259,209 golfers in the primary market and the secondary market is projected to have approximately 1,647,811 golfers in 2006.

| Table 36. Participation¹ Estimates Based on Regional Participation Rate | | | | | | |
|---|---------------------------|---------|-----------------------|-----------|-------------------------|------------|
| Market | Residential Market | | Primary Market | | Secondary Market | |
| Year | 2001 | 2006 | 2001 | 2006 | 2001 | 2006 |
| Population >age 12 | 139,418 | 142,389 | 2,076,310 | 2,160,079 | 13,169,079 | 13,731,761 |
| National Participation Rate | 12% | 12% | 12% | 12% | 12% | 12% |
| Estimated Golfers | 16,730 | 17,086 | 249,129 | 259,209 | 1,580,289 | 1,647,811 |
| <i>Source: National Golf Foundation, Economics Research Associates</i> | | | | | | |

Based on the case studies and interviews with state park resorts with golf courses, ERA estimates the number of annual rounds played at the proposed resort between 20,000 and 27,000. There are four other similar golf resorts in Iowa, two in Okoboji, in northern Iowa, one in Anamosa, east of Cedar Rapids and one in Pella, southeast of Des Moines. Considering this, the market capture in the segment of golf resorts in the primary market could be up to 20%. The capture of the secondary market is only marginal because of the distance and a high and large competition in the golf market.

According to the National Golf Foundation in 2002 a total of 85.6 million rounds were played in the lower Midwest region, in which the resort market area is located. A total of \$2.1 billion dollars in revenue was created. The breakdown of these numbers shows total revenue of \$33 per round played in the lower Midwest region in 2002.

¹ Participation rate is the percentage of a given population or group who played at least one round of golf during the past 12 month

The table below shows the golf courses in the 9-county area around the proposed resort

| Table 37. 9-County Rathbun Lake Area Golf Courses | | | | | | |
|--|--------------------------------|-------------|--------------------|-------------------------|---------------------------|------------------|
| County | Name | City | Type | Category | Holes (Length) | Green Fee |
| Monroe, IA | Albia Country Club | Albia | Private Equity | Just Golf | 9 (Regulation) | \$8 |
| Appanoose, IA | Appanoose Country Club | Centerville | Private Equity | Just Golf | 9 (Regulation) | \$20 |
| Wayne, IA | Corydon Country Club | Corydon | Municipal | Just Golf | 9 (Executive) | \$15 |
| Lucas, IA | Lakeview Golf & Country Club | Chariton | Private Equity | Just Golf | 9 (Regulation) | \$33 |
| Davis, IA | Bloomfield Country Club | Bloomfield | Private Equity | Just Golf | 9 (Regulation) | \$23 |
| Wapello, IA | Ottumwa Country Club | Ottumwa | Private Non-Equity | Just Golf | 18 (Regulation) | \$45 |
| Wapello, IA | Ottumwa Municipal Golf Course | Ottumwa | Municipal | Just Golf | 18 (Regulation) | \$37.20 |
| Mercer, MO | Princeton Country Club | Princeton | Municipal | Just Golf | 9 (Regulation) | \$0.00 (?) |
| Putnam, MO | Lake Thunderhead at Wildflower | Unionville | Private Non-Equity | Real Estate Development | 9 (Regulation) | \$6 |
| Putnam, MO | Unionville Country Club | Unionville | Private Equity | Just Golf | 9 (Executive) | \$6 |
| <i>Source: National Golf Foundation</i> | | | | | | |

Most of the region's golf courses are very small, do not have clubhouse facilities or cart rentals and do not keep track of visitation or rounds played per year. Even from the 18-hole courses, visitation numbers and rounds played were not available. With the proposed golf course and its amenities, the resort should be able to capture the majority of the resident market. However, golfers from this market are not likely to use any overnight accommodations and do have most likely some budget limitations.

4.5 Equestrian Market

The U.S. horse industry exists in many parts of the country. According to an industry report published by the Barents Group of Washington, DC for the American Horse Council, the horse industry's economic impact on the U.S. economy is approximately \$112 billion. There are over seven million Americans involved in the industry; they own as many horses (just under seven million horses). The industry creates about 1.4 million full-time jobs and brings in almost \$2 billion in total taxes.

According to yellowpages.com there are 58 riding stables facilities in Iowa. There is a demand for facilities and trails, as evidenced by the number of privately owned boarding stables and training facilities in Iowa. The area around Lake Rathbun, and the proposed resort complex, including three counties in Missouri does however only have two equestrian facilities within a 50-mile radius.

Selected facilities in Iowa are listed in the following chart. The two facilities marked are located within the 50-mile radius around the proposed resort.

| Table 38. Iowa Stables/Farms | | | | |
|--|--------------------------|-----------------|--------------|------------|
| Name of Stable/Farm | Address | City | State | Zip |
| Cedar Valley Stables | 1492 Harding Ave | Tipton | IA | 52772 |
| Clear Water Farm | 4970 Lakeside Road | Marion | IA | 52302 |
| Faust Performance Horses | | Van Meter | IA | 50261 |
| Forest Hill Farms | 2116 Forest Lane | Muscatine | IA | 52761 |
| Fox Hollow Sport Horses | | Solon | IA | 52333 |
| Greys Acres | 1590 212th Street | Waverly | IA | 50677 |
| Hillside Stables | 1412 N. Hwy. 67 | Sabula | IA | 52070 |
| Kalsem Training | 30320 535th Ave | Huxley | IA | 50124 |
| Lil Creek Stables | 34308 Johles Hollow Road | Guttenberg | IA | 52052 |
| Nelson's Oak Hill Boarding | 2054 Oak Dr. | Missouri Valley | IA | 51555 |
| Pleasant View Farm | 31428 Garber Rd | Guttenberg | IA | 52052 |
| Quarter Horses KH | PO BOX 124 | Lineville | IA | 50147 |
| Tennessee Timber Stables | 21192 Great River Rd | Le Claire | IA | 52753 |
| The Natural Gait | 1878 Old Mission Drive | Harpers Ferry | IA | 52146 |
| The Paddock | 3388 Peru Road | Truro | IA | 50257 |
| Van Werden Farms | 2393 Osage Trail | Winterset | IA | 50273 |
| Whispering Pines Stable | 2089 Hwy 102 | New Sharon | IA | 50207 |
| <i>Source: Midwest Horse Stables Directory</i> | | | | |

Most equestrian stables/farms offer barns, turnout paddocks, pasture and tack room facilities as well as an outdoor arena, a few also have indoor arenas, trails and stores for special equipment available. Boarding services range between \$75 and \$400 per month at these facilities, depending on the type of boarding. In general, the facilities are open between 8am and 10pm. There are some facilities that are open 24 hours a day.

The table below describes the facilities of the two stables within the 50-mile radius around the proposed resort.

Table 39. Equestrian Facilities within 50-mile radius

| | |
|---|--|
| Quarter Horses KH PO BOX 124 Lineville, IA 50147 www.quarterhorseskh.com | Facility opened in 1985 Hours: 8am 9pm Quarter Horse Breeders. AQHA, NFQHA, APHA stallion services. AQHA champion bloodlines. Horses for sale. Boarding for outside brood mares. Specialization: Breeding; Facilities: Barn; Outdoor Arena; Turnout Paddocks; Pasture; Horse Breed Specialization: Quarter Horse; Updated: August, 2002 |
| Whispering Pines Stable 2089 Hwy 102 New Sharon, IA 50207 | Facility opened for 30+ years Hours: 24-7 Specialization: Western Pleasure; English Pleasure; Gaited/Saddle Seat; Performance; Driving; Other: Boarding Facilities: Barn; Indoor Arena; Turnout Paddocks; Pasture; Indoor Wash Rack; Tack Room; Lights for Night Riding; Horse Breed Specialization: Tennessee Walker; spotted saddle horse or foxtrotter; Boarding Regular Service: \$150/month. Includes: stall and feed Full Service: \$400/month. Includes: board and training Pasture Boarding: \$90/month. Includes: hay Lessons: Private; Lesson types: Western Pleasure; English Pleasure; any gaited horse Updated: January, 2003 |

A detailed demand estimate for the Equestrian Center cannot be given at this point due to the lack of available regional data. The Iowa Horse Council estimates the number of horses in Iowa at 290,000. Together with the existing equestrian facilities, this implies that there is a certain demand for those facilities. In combination with the other resort elements a reasonable market capture during the summer months can be expected, as well as some shoulder-season use during spring and fall.

5 FINANCIAL ANALYSIS

A 10-year cash flow analysis was conducted for the lodge, which includes the aquatic center, the conference facilities and the cabins, the golf course and the equestrian center. In addition, three scenarios were developed for each development component: low, most likely and high. This section includes the cash flow tables for the most likely scenario; the low and high scenarios are included in the Appendix.

5.1 Financial Analysis Conclusion

The most likely Scenarios show positive net operating income starting in the first year of operation. However, when including the debt service the results become unfavorable and the calculated internal rate of return drops below investors minimum requirements to enter into a venture of this size.

The estimated total construction cost of the three main development components is estimated at approximately \$30 million in 2003 dollars. The State of Iowa requires that this development concur with the U.S. Green Building Council's (USGBC) development guidelines of the new established program Leadership in Energy and Environmental Design (LEED) Building Rating System. The LEED rating system certifies buildings and rates them based on the level of energy and environmental efficiency during construction and after operation. There are minimum requirements to achieve the entry-level certification. USGBC estimates that "green" construction costs are 0.6 percent to 6 percent higher than regular construction costs depending on the level of efficiency and rating desired. The \$30 million construction cost estimate assumes that minimum requirements are met.

The State of Iowa is already providing concessions by offering the land without cost to the developer or the operator and in committing funds to finance the required infrastructure including roadways and utilities.

Last fall the State of Iowa applied through the Iowa Finance Authority for a tax credit allocation, the New Market Tax Credit (NMTC), which is part of the federal Community Development Financial Institution (CDFI) Fund. Appanoose County, where the project site is located, meets the requirements to receive this type of federal funding. (*Source: <http://www.cdfifundhelp.gov/>*). The federal decision on who will be awarded and what amount is due in Spring 2004. Investors in the program's Community Development Entities (CDEs) could receive a total credit against their federal income taxes that may reach as high as 39% over the required seven-year period. Investors will be able to claim a 5% credit on the investment amount for each of the first 3 years and a 6% credit for each of the following 4 years. However the credit allocation is not directly into the Honey Creek Resort State Park. The investment goes into the CDE, which will subsidize the developments of most of the resort elements.

Another tool available is the creation of an enterprise zone. However there might be legal issues in implementing such an area on state park property. Further on certain requirements and deadlines must be met by the applying county (Appanoose) and businesses, in order to receive benefits (see appendix for summary).

In addition, the State Park will bear the running costs of upkeep of the public areas in the resort and the surrounding areas. However, this by itself could prove to be insufficient to attract private investors. All of the reviewed case studies, except for one, and to ERA's knowledge, most resorts in state parks are developed by the state and then are leased and managed by a private management firm. The state receives income from the leases and sometimes a percent of profits or revenues.

Economics Research Associates recommends that the State of Iowa considers various financing schemes to lure private investors to actually develop the resort. Financial schemes could include bond issuing to finance the project; the state enters as a partner in the development or offers additional subsidies.

5.2 Honey Creek Lodge & Conference Center

The following are the assumptions and inputs that were used to develop the cash flow analysis. The high and low scenarios differ only in the average occupancy rate, average daily rates for lodge rooms and cabins, the daily admission rate to the waterpark and the projected revenue from the daily events at the conference center.

- ❑ Number of lodge rooms: 108
- ❑ Number of cabins: 37
- ❑ Average daily rate in stabilization year (third year of operation): \$120 rooms, \$140 cabins
- ❑ Average Occupancy rate in stabilization year: 58%
- ❑ Average waterpark admission- day visitors including campers: \$13
- ❑ Number of day meetings/events: 55 with 75 guests per event
- ❑ Inflation index 2.5 percent
- ❑ Interest rate 7 percent
- ❑ Equity to debt ration is 30:70 with equity paid in the year preceding opening.
- ❑ Loan is 20 year term
- ❑ Construction cost including the aquatic center and the conference facilities is estimated at \$19.5 million in 2003 dollars. This is based on \$120,000 per lodge room (includes meeting facilities), \$225 per square foot of aquatic center, and \$80,000 per cabin. Cabins are assumed to be various sizes to accommodate 4-12 people.
- ❑ Land is assumed to be available at no cost to the developer. Also, the development is assumed to be exempt of property taxes.
- ❑ Operating revenue and expense ratios are based on industry standards from Smith Travel Research.
- ❑ Waterpark operational expenses are based on an industry report for the World Waterpark Association by Hotel Waterpark Resort Research & Consulting.

The following table shows 10-year cash flow analysis, most likely scenario.

Table 40. Cash Flow Analysis, Honey Creek Lodge & Conference Center – Most Likely Scenario

| | Assumptions 1 - 2 | Assumptions 3 - 10 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--------------------------------------|----------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Key Performance Indicators | | | | | | | | | | | | |
| Lodge Rooms | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 |
| Indoor Waterpark (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Room Nights Supply | 365 | 365 | 39,420 | 39,420 | 39,420 | 39,420 | 39,420 | 39,420 | 39,420 | 39,420 | 39,420 | 39,420 |
| Occupancy % | 52%-58% | 58% | 52% | 56% | 58% | 58% | 58% | 58% | 58% | 58% | 58% | 58% |
| Room Nights Sold | | | 20,498 | 22,075 | 22,864 | 22,864 | 22,864 | 22,864 | 22,864 | 22,864 | 22,864 | 22,864 |
| Average Room Rate (Total) | \$110.00 | \$120.00 | \$110.00 | \$112.75 | \$120.00 | \$123.00 | \$126.08 | \$129.23 | \$132.46 | \$135.77 | \$139.16 | \$142.64 |
| Non-Lodge Waterpark Visits | 15,000 | 20,000 | 15,000 | 15,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Admission | \$10.00 | \$13.00 | \$10.00 | \$10.25 | \$13.00 | \$13.33 | \$13.66 | \$14.00 | \$14.35 | \$14.71 | \$15.08 | \$15.45 |
| REVENUE | | | | | | | | | | | | |
| Room Revenue | | | \$2,254,824 | \$2,488,979 | \$2,743,632 | \$2,812,223 | \$2,882,528 | \$2,954,592 | \$3,028,456 | \$3,104,168 | \$3,181,772 | \$3,261,316 |
| Cabin Revenue | | | \$820,429 | \$840,939 | \$945,350 | \$968,984 | \$993,208 | \$1,018,039 | \$1,043,490 | \$1,069,577 | \$1,096,316 | \$1,123,724 |
| Food & Beverage | 40% | 40% | \$901,930 | \$995,592 | \$1,097,453 | \$1,124,889 | \$1,153,011 | \$1,181,837 | \$1,211,383 | \$1,241,667 | \$1,272,709 | \$1,304,527 |
| Conference Center - Daily Events | | | \$91,875 | \$94,172 | \$165,000 | \$169,125 | \$173,353 | \$177,687 | \$182,129 | \$186,682 | \$191,349 | \$196,133 |
| Other Revenues | 3% | 3% | \$84,053 | \$91,488 | \$101,216 | \$103,746 | \$106,340 | \$108,999 | \$111,723 | \$114,517 | \$117,379 | \$120,314 |
| Waterpark - Daily Visits | | | \$150,000 | \$153,750 | \$260,000 | \$266,500 | \$273,163 | \$279,992 | \$286,991 | \$294,166 | \$301,520 | \$309,058 |
| Food & Beverage -Daily Visits | 23% | 23% | \$34,500 | \$35,363 | \$59,800 | \$61,295 | \$62,827 | \$64,398 | \$66,008 | \$67,658 | \$69,350 | \$71,083 |
| TOTAL REVENUES | | | \$4,337,611 | \$4,700,282 | \$5,372,451 | \$5,506,762 | \$5,644,431 | \$5,785,542 | \$5,930,180 | \$6,078,435 | \$6,230,396 | \$6,386,156 |
| OPERATION EXPENSES | | | | | | | | | | | | |
| Pre-opening Expenses | | | \$190,248 | | | | | | | | | |
| Departmental Expenses | | | | | | | | | | | | |
| Room | 25% | 24% | \$563,706 | \$622,245 | \$658,472 | \$674,933 | \$691,807 | \$709,102 | \$726,830 | \$745,000 | \$763,625 | \$782,716 |
| Cabins | 20% | 20% | \$164,086 | \$168,188 | \$189,070 | \$193,797 | \$198,642 | \$203,608 | \$208,698 | \$213,915 | \$219,263 | \$224,745 |
| Food & Beverage | 67% | 65% | \$682,808 | \$747,525 | \$848,739 | \$869,958 | \$891,707 | \$913,999 | \$936,849 | \$960,271 | \$984,277 | \$1,008,884 |
| Other | 4% | 4% | \$3,730 | \$4,036 | \$4,709 | \$4,826 | \$4,947 | \$5,071 | \$5,197 | \$5,327 | \$5,461 | \$5,597 |
| Sub-Total Departmental | | | \$1,604,577 | \$1,541,994 | \$1,700,990 | \$1,743,514 | \$1,787,102 | \$1,831,780 | \$1,877,574 | \$1,924,514 | \$1,972,626 | \$2,021,942 |
| Undistributed | | | | | | | | | | | | |
| Administrative & General | 8.8% | 8.8% | \$383,011 | \$415,035 | \$474,387 | \$486,247 | \$498,403 | \$510,863 | \$523,635 | \$536,726 | \$550,144 | \$563,898 |
| Marketing | 6.6% | 6.6% | \$284,113 | \$307,868 | \$351,896 | \$360,693 | \$369,710 | \$378,953 | \$388,427 | \$398,137 | \$408,091 | \$418,293 |
| Franchise Fees | 0.7% | 0.7% | \$29,930 | \$32,432 | \$37,070 | \$37,997 | \$38,947 | \$39,920 | \$40,918 | \$41,941 | \$42,990 | \$44,064 |
| Energy/Utilities | 3.2% | 3.2% | \$138,804 | \$150,409 | \$171,918 | \$176,216 | \$180,622 | \$185,137 | \$189,766 | \$194,510 | \$199,373 | \$204,357 |
| Property Operations & Maintenance | 5.2% | 5.2% | \$225,990 | \$244,885 | \$279,905 | \$286,902 | \$294,075 | \$301,427 | \$308,962 | \$316,686 | \$324,604 | \$332,719 |
| Sub-Total Undistributed | | | \$1,061,847 | \$1,150,629 | \$1,315,176 | \$1,348,055 | \$1,381,757 | \$1,416,301 | \$1,451,708 | \$1,488,001 | \$1,525,201 | \$1,563,331 |
| Waterpark | | | \$405,000 | \$415,125 | \$425,503 | \$436,141 | \$447,044 | \$458,220 | \$469,676 | \$481,418 | \$493,453 | \$505,790 |
| Subtotal Operational Expenses | | | \$3,071,425 | \$3,107,748 | \$3,441,669 | \$3,527,710 | \$3,615,903 | \$3,706,301 | \$3,798,958 | \$3,893,932 | \$3,991,281 | \$4,091,063 |
| OTHER EXPENSES | | | | | | | | | | | | |
| Management Fees (% Total Revs.) | 2% | | \$86,752 | \$94,006 | \$107,449 | \$110,135 | \$112,889 | \$115,711 | \$118,604 | \$121,569 | \$124,608 | \$127,723 |
| Insurance (% of Total Revs.) | 1.5% | | \$65,064 | \$70,504 | \$80,587 | \$82,601 | \$84,666 | \$86,783 | \$88,953 | \$91,177 | \$93,456 | \$95,792 |
| Property Tax (% of Total Revs.) | 0.0% | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Land Lease (% of Total Revs.) | 0% | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Replacement Reserve (% Total Re) | 3% | | \$130,128 | \$141,008 | \$161,174 | \$165,203 | \$169,333 | \$173,566 | \$177,905 | \$182,353 | \$186,912 | \$191,585 |
| Subtotal Other Expenses | | | \$281,945 | \$305,518 | \$349,209 | \$357,940 | \$366,888 | \$376,060 | \$385,462 | \$395,098 | \$404,976 | \$415,100 |
| TOTAL EXPENSES | | | \$3,353,369 | \$3,413,266 | \$3,790,878 | \$3,885,650 | \$3,982,791 | \$4,082,361 | \$4,184,420 | \$4,289,031 | \$4,396,256 | \$4,506,163 |
| NET OPERATING INCOME | | | \$984,241 | \$1,287,016 | \$1,581,573 | \$1,621,112 | \$1,661,640 | \$1,703,181 | \$1,745,760 | \$1,789,404 | \$1,834,140 | \$1,879,993 |
| EQUITY PAID | | (Year -1) | \$6,126,000 | \$0 | | | | | | | | |
| ANNUAL DEBT SERVICE | | | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 |
| NET CASH FLOW | | | (\$6,126,000) | (\$438,703) | (\$135,928) | \$158,628 | \$198,167 | \$238,695 | \$280,236 | \$322,816 | \$366,460 | \$411,195 |
| Net Proceed from Reversion | | | | | | | | | | | | \$8,211,179 |
| Cash Flow After Reversion | | | (\$6,126,000) | (\$438,703) | (\$135,928) | \$158,628 | \$198,167 | \$238,695 | \$280,236 | \$322,816 | \$366,460 | \$411,195 |
| Cumulative Cash Flow | | | (\$6,126,000) | (\$438,703) | (\$574,632) | (\$416,003) | (\$217,836) | \$20,859 | \$301,096 | \$623,911 | \$990,371 | \$1,401,566 |
| | | | | | | | | | | | | \$10,069,793 |
| Internal Rate of Return | | | | | | | | | | | | 5.2% |
| Net Present Value | 10% | | | | | | | | | | | \$3,902,745 |

5.3 Golf Course

The proposed course is an 18-hole premier course with a minimum of 6,000 yards in length. The course will be open to the resort guests as well as to the general public. However, priority will be given to resort guests especially during preferred tee-times on weekdays and weekends.

The golf course will also have a modern clubhouse with a pro-shop and a café serving light menu items and beverages.

The following assumptions were used to develop the cash flow analysis:

- ❑ Number of rounds in stabilization year (year 4) is 26,000 rounds
- ❑ Green fees include cart fees and are \$45 per round
- ❑ Other revenues are \$12 per round and include food and beverage, driving range, and merchandise.
- ❑ Construction cost is estimated at \$6.3 million including the clubhouse.
- ❑ Inflation rate is 2.5 percent
- ❑ Equity to debt ration is 40:60 with equity paid in the year preceding opening.
- ❑ Loan is 20 year term
- ❑ Interest rate is 7 percent
- ❑ Operational revenue and expense ratios are based on industry standards from the National Golf Association.

The following table shows the 10-year cash flow analysis, most likely scenario.

Table 41. Cash Flow Analysis, Honey Creek Golf Course – Most Likely Scenario

| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Number of Holes | | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Total Annual Rounds | | 22,000 | 23,000 | 25,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 |
| OPERATING REVENUES | | | | | | | | | | | |
| | Ave. Revenue/Round (\$) | | | | | | | | | | |
| Greens Fee Revenues | \$45.00 | \$990,000 | \$1,060,875 | \$1,181,953 | \$1,259,962 | \$1,291,461 | \$1,323,748 | \$1,356,841 | \$1,390,762 | \$1,425,531 | \$1,461,170 |
| Driving Range | \$2.00 | \$44,000 | \$47,150 | \$52,531 | \$55,998 | \$57,398 | \$58,833 | \$60,304 | \$61,812 | \$63,357 | \$64,941 |
| Food and Beverage | \$6.00 | \$132,000 | \$141,450 | \$157,594 | \$167,995 | \$172,195 | \$176,500 | \$180,912 | \$185,435 | \$190,071 | \$194,823 |
| Merchandise / Other | \$4.00 | \$88,000 | \$94,300 | \$105,063 | \$111,997 | \$114,797 | \$117,666 | \$120,608 | \$123,623 | \$126,714 | \$129,882 |
| TOTAL | | \$1,254,000 | \$1,343,775 | \$1,497,141 | \$1,595,952 | \$1,635,851 | \$1,676,747 | \$1,718,666 | \$1,761,632 | \$1,805,673 | \$1,850,815 |
| OPERATING EXPENSES | | | | | | | | | | | |
| Pre-opening Expenses | | \$50,000 | | | | | | | | | |
| Cost of Sale | | | | | | | | | | | |
| Food & Beverage (% of Sale) | 32% | \$42,240 | \$45,264 | \$50,430 | \$53,758 | \$55,102 | \$56,480 | \$57,892 | \$59,339 | \$60,823 | \$62,343 |
| Pro Shop (% of Sale) | 65% | \$57,200 | \$61,295 | \$68,291 | \$72,798 | \$74,618 | \$76,483 | \$78,395 | \$80,355 | \$82,364 | \$84,423 |
| Course Maintenance (Per Hole) | \$22,000 | \$396,000 | \$405,900 | \$416,048 | \$426,449 | \$437,110 | \$448,038 | \$459,239 | \$470,720 | \$482,488 | \$494,550 |
| Golf and Cart Operations (Per Hole) | \$11,000 | \$198,000 | \$202,950 | \$208,024 | \$213,224 | \$218,555 | \$224,019 | \$229,619 | \$235,360 | \$241,244 | \$247,275 |
| General and Administrative (Per Hole) | \$12,000 | \$216,000 | \$221,400 | \$226,935 | \$232,608 | \$238,424 | \$244,384 | \$250,494 | \$256,756 | \$263,175 | \$269,754 |
| Other (Per Hole) | \$2,000 | \$36,000 | \$36,900 | \$37,823 | \$38,768 | \$39,737 | \$40,731 | \$41,749 | \$42,793 | \$43,863 | \$44,959 |
| Food and Beverage Operations | 35% | \$46,200 | \$49,508 | \$55,158 | \$58,798 | \$60,268 | \$61,775 | \$63,319 | \$64,902 | \$66,525 | \$68,188 |
| Club House Undistributed Expenses (Per Hole) | \$3,000 | \$54,000 | \$55,350 | \$56,734 | \$58,152 | \$59,606 | \$61,096 | \$62,623 | \$64,189 | \$65,794 | \$67,439 |
| TOTAL OPERATING EXPENSES | | \$1,095,640 | \$1,078,567 | \$1,119,441 | \$1,154,556 | \$1,183,420 | \$1,213,005 | \$1,243,331 | \$1,274,414 | \$1,306,274 | \$1,338,931 |
| Replacement Reserve | 3% | \$37,620 | \$40,313 | \$44,914 | \$47,879 | \$49,076 | \$50,302 | \$51,560 | \$52,849 | \$54,170 | \$55,524 |
| NET OPERATING INCOME | | \$120,740 | \$224,895 | \$332,785 | \$393,517 | \$403,355 | \$413,439 | \$423,775 | \$434,370 | \$445,229 | \$456,360 |
| EQUITY PAID | | | | | | | | | | | |
| | (Year -1) | | | | | | | | | | |
| ANNUAL DEBT SERVICE | \$2,512,000 | \$0 | | | | | | | | | |
| NET CASH FLOW | | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 |
| Net Proceed from Reversion | (\$2,512,000) | (\$254,358) | (\$150,203) | (\$42,313) | \$18,419 | \$28,257 | \$38,341 | \$48,677 | \$59,271 | \$70,130 | \$81,261 |
| Cash Flow After Reversion | | | | | | | | | | | \$4,472,323 |
| Cumulative Cash Flow | | | | | | | | | | | \$4,553,584 |
| | | (\$2,512,000) | (\$254,358) | (\$150,203) | (\$42,313) | \$18,419 | \$28,257 | \$38,341 | \$48,677 | \$59,271 | \$70,130 |
| | | (\$2,512,000) | (\$254,358) | (\$404,561) | (\$446,874) | (\$428,455) | (\$400,198) | (\$361,857) | (\$313,180) | (\$253,909) | (\$183,779) |
| | | | | | | | | | | | \$4,369,806 |

| | |
|--------------------------------|-----------------|
| Internal Rate of Return | 5.2% |
| Net Present Value | 10% \$1,502,584 |

General and Administrative includes:

Marketing
Management Fees
Insurance and legal
Accounting, services and supplies
Salaries and benefits

5.4 Equestrian Center

The financial analysis for the equestrian center assumes that the center is open year round and that it does not offer any boarding facilities.

The following assumptions were used to develop the cash flow analysis:

- ❑ The facility will have 30 horses with a 6,240 horse days capacity. Year-round occupancy rate is 45 percent.
- ❑ Lessons and trail ride time is estimated at 25 percent and 75 percent split.
- ❑ Rides are estimated to last 4 hours at a cost of \$20 per hour. Hourly cost for lessons is \$45.
- ❑ Construction cost excluding the regional trail is estimated at \$750,000
- ❑ Equity to debt ratio is 40:60 with equity paid in first year of operation
- ❑ Interest rate is 7 percent
- ❑ Loan term is 20 years

The following table shows the 10-year cash flow for the proposed equestrian center

Table 42. Cash Flow Analysis, Honey Creek Equestrian Center – Most Likely Scenario

| | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--|------------------|----------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Number of horses | 30 | | | | | | | | | | | |
| Horse Days per week* | 120 | | | | | | | | | | | |
| Average Lesson - hours (2 lessons/day) | 5 | | | | | | | | | | | |
| Average Trail Ride - hours | 4 | year 1-3 | year 3-10 | | | | | | | | | |
| Average Occupancy (Year round operation) | | 41%-45% | 45% | | | | | | | | | |
| Occupancy year round operation | | | 41% | 43% | 45% | 45% | 45% | 45% | 45% | 45% | 45% | 45% |
| Year Round HD | 6,240 | | 2,558 | 2,683 | 2,808 | 2,808 | 2,808 | 2,808 | 2,808 | 2,808 | 2,808 | 2,808 |
| OPERATING REVENUES | | | | | | | | | | | | |
| | Ave. Revenue | year 1-3 | year 3-10 | | | | | | | | | |
| Year Round Operation | | | | | | | | | | | | |
| Revenues per Ride/Hour | | \$15.00 | \$20.00 | \$115,128 | \$123,763 | \$177,009 | \$181,435 | \$185,970 | \$190,620 | \$195,385 | \$200,270 | \$205,277 |
| Revenues per Lesson/Hour | | \$40.00 | \$45.00 | \$127,920 | \$137,514 | \$165,946 | \$170,095 | \$174,347 | \$178,706 | \$183,174 | \$187,753 | \$192,447 |
| Special Events/Other | \$15,000 | | | \$15,000 | \$15,375 | \$15,759 | \$16,153 | \$16,557 | \$16,971 | \$17,395 | \$17,830 | \$18,276 |
| GROSS REVENUES | | | | \$258,048 | \$276,652 | \$358,715 | \$367,683 | \$376,875 | \$386,297 | \$395,954 | \$405,853 | \$415,999 |
| OPERATING EXPENSES | | | | | | | | | | | | |
| | Annual Expense | | | | | | | | | | | |
| Employee Payroll | \$70,000 | | | \$70,000 | \$71,750 | \$73,544 | \$75,382 | \$77,267 | \$79,199 | \$81,179 | \$83,208 | \$85,288 |
| Horse Care (per horse) | \$1,800 | | | \$54,000 | \$55,350 | \$56,734 | \$58,152 | \$59,606 | \$61,096 | \$62,623 | \$64,189 | \$65,794 |
| General and Administrative | \$75,000 | | | \$75,000 | \$76,875 | \$78,797 | \$80,767 | \$82,786 | \$84,856 | \$86,977 | \$89,151 | \$91,380 |
| Utilities | \$10,000 | | | \$10,000 | \$10,250 | \$10,506 | \$10,769 | \$11,038 | \$11,314 | \$11,597 | \$11,887 | \$12,184 |
| Other | \$20,000 | | | \$20,000 | \$20,500 | \$21,013 | \$21,538 | \$22,076 | \$22,628 | \$23,194 | \$23,774 | \$24,368 |
| TOTAL OPERATING EXPENSES | \$176,800 | | | \$229,000 | \$234,725 | \$240,593 | \$246,608 | \$252,773 | \$259,092 | \$265,570 | \$272,209 | \$279,014 |
| NET OPERATING INCOME | | | | \$29,048 | \$41,927 | \$118,122 | \$121,075 | \$124,102 | \$127,204 | \$130,384 | \$133,644 | \$136,985 |
| EQUITY PAID | | | | | | | | | | | | |
| | | | | \$300,000 | | | | | | | | |
| ANNUAL DEBT SERVICE | | | | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 |
| NET CASH FLOW | | | | (\$315,749) | (\$2,870) | \$73,325 | \$76,278 | \$79,305 | \$82,407 | \$85,588 | \$88,847 | \$92,188 |
| Net Proceed from Reversion | | | | | | | | | | | | \$1,376,015 |
| Cash Flow After Reversion | | | | (\$315,749) | (\$2,870) | \$73,325 | \$76,278 | \$79,305 | \$82,407 | \$85,588 | \$88,847 | \$92,188 |
| Cumulative Cash Flow | | | | (\$315,749) | (\$318,619) | (\$245,294) | (\$169,016) | (\$89,711) | (\$7,304) | \$78,284 | \$167,131 | \$259,319 |
| | | | | | | | | | | | | \$1,730,947 |
| Internal Rate of Return | | | | | | | | | | | | |
| | | | | 29.5% | | | | | | | | |
| Net Present Value | 10% | | | \$605,372 | | | | | | | | |

* Assume a horse must rest 3 days a week

6 APPENDIX

This section includes the cash flow analysis for each of the development components. Low and high scenarios are included.

Enterprise Zone Benefits and Requirements Summary

Businesses locating or expanding in an Enterprise Zone may receive the following tax benefits:

- A local property tax exemption on the value added to the property.
- Additional funding for training new employees. If applicable, these funds would be in addition to those authorized under the Iowa New Jobs Training Program.
- A refund of state sales, services, or use taxes paid to contractors or subcontractors during construction.
- An investment tax credit of up to a maximum of 10% of the new investment in machinery and equipment, land, buildings, and improvements to existing buildings. This Iowa tax credit may be carried forward for up to seven years or until depleted.
- An additional research and development tax credit of up to 6.5%, which may be refundable. This Iowa tax credit is based on increasing research activities within the state and is available while the business is participating in the program for up to 10 years.

To receive these benefits, businesses must:

- The business must make a minimum capital investment of \$500,000.
- The business must create at least 10 full-time, project-related jobs and maintain them for at least 10 years.
- The business provides all full-time employees with the option of choosing a standard medical and dental insurance plan of which the business pays 80% of the premiums or a monetarily equivalent benefit.
- The business must pay an average wage, that meets or exceeds 90% of the average county or regional wage, whichever is lower. (Check with the IDED for the community's current wage requirement.)
- The business cannot be a retail establishment or a business whose entrance is limited by cover charge or membership.
- The business cannot close or reduce its operation in one area of the state and relocate substantially the same operation in the Enterprise Zone.
- The local Enterprise Zone Commission and the Iowa Department of Economic Development must approve the businesses proposed project prior to project initiation.

Honey Creek Financial Scenarios*(In Stabilization year 3)*

| <i>Scenarios</i> | Low | Most Likely | High |
|------------------------------------|--------------------|--------------------|--------------------|
| <i>Key Performance Indicators</i> | | | |
| <u>Lodge</u> | | | |
| Number of Lodge Rooms | 108 | 108 | 108 |
| Average Occupancy Rate | 53% | 58% | 61% |
| Average Room Rate | \$110 | \$120 | \$130 |
| Daily Admission Waterpark | \$10 | \$13 | \$15 |
| Total Revenue | \$4,371,000 | \$5,372,000 | \$6,157,000 |
| Total Expenses | \$3,163,000 | \$3,791,000 | \$4,290,000 |
| Net Operating Income | \$1,207,000 | \$1,582,000 | \$1,867,000 |
| <u>Golf Course *</u> | | | |
| Annual Rounds Played | 24,000 | 25,000 | 27,000 |
| Green Fees | \$40 | \$45 | \$50 |
| Total Revenue | \$1,311,000 | \$1,497,000 | \$1,759,000 |
| Total Expenses | \$1,112,000 | \$1,119,000 | \$1,133,000 |
| Net Operating Income | \$159,000 | \$333,000 | \$573,000 |
| <u>Equestrian Center</u> | | | |
| Revenues Trail Ride& Lessons | \$249,000 | \$343,000 | \$451,000 |
| Total Revenue | \$265,000 | \$359,000 | \$466,000 |
| Total Expenses | \$241,000 | \$241,000 | \$241,000 |
| Net Operating Income | \$24,000 | \$118,000 | \$226,000 |
| <u>Other Revenue</u> | | | |
| Cabins | \$744,000 | \$964,000 | \$1,099,000 |
| Campground | \$162,000 | \$204,000 | \$250,000 |
| Conference Facilities - Day Events | \$95,000 | \$165,000 | \$219,000 |
| Total Other Revenue | \$1,001,000 | \$1,333,000 | \$1,568,000 |

Numbers are rounded

* Green Fees include cart fees. Number of rounds played assume year round operation

Cash Flow Analysis, Honey Creek Lodge & Conference Center - Low Scenario

| | Assumptions 1-2 | Assumptions 3-10 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|-----------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Key Performance Indicators | | | | | | | | | | | | |
| Lodge Rooms | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 |
| Occupancy % | 49%-53% | 53% | 49% | 51% | 53% | 53% | 53% | 53% | 53% | 53% | 53% | 53% |
| Room Nights Sold | | | 19,316 | 20,104 | 20,893 | 20,893 | 20,893 | 20,893 | 20,893 | 20,893 | 20,893 | 20,893 |
| Average Room Rate (Total) | \$100.00 | \$110.00 | \$100.00 | \$102.50 | \$110.00 | \$112.75 | \$115.57 | \$118.46 | \$121.42 | \$124.45 | \$127.57 | \$130.76 |
| Non-Lodge Waterpark Visits | 15,000 | 20,000 | 15,000 | 15,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Admission | \$8.00 | \$10.00 | \$8.00 | \$8.20 | \$10.00 | \$10.25 | \$10.51 | \$10.77 | \$11.04 | \$11.31 | \$11.60 | \$11.89 |
| REVENUE | | | | | | | | | | | | |
| Room Revenue | | | \$1,931,580 | \$2,060,681 | \$2,298,186 | \$2,355,641 | \$2,414,532 | \$2,474,895 | \$2,536,767 | \$2,600,187 | \$2,665,191 | \$2,731,821 |
| Cabin Revenue | | | \$621,230 | \$636,761 | \$729,270 | \$747,502 | \$766,189 | \$785,344 | \$804,978 | \$825,102 | \$845,730 | \$866,873 |
| Food & Beverage | 40% | 40% | \$772,632 | \$824,272 | \$919,274 | \$942,256 | \$965,813 | \$989,958 | \$1,014,707 | \$1,040,075 | \$1,066,076 | \$1,092,728 |
| Conference Center - Daily Events | | | \$45,000 | \$46,125 | \$94,500 | \$96,863 | \$99,284 | \$101,766 | \$104,310 | \$106,918 | \$109,591 | \$112,331 |
| Other Revenues | 3% | 3% | \$70,372 | \$74,556 | \$83,531 | \$85,619 | \$87,760 | \$89,954 | \$92,203 | \$94,508 | \$96,870 | \$99,292 |
| Waterpark - Daily Visits | | | \$120,000 | \$123,000 | \$200,000 | \$205,000 | \$210,125 | \$215,378 | \$220,763 | \$226,282 | \$231,939 | \$237,737 |
| Food & Beverage - Daily Visits | 23% | 23% | \$27,600 | \$28,290 | \$46,000 | \$47,150 | \$48,329 | \$49,537 | \$50,775 | \$52,045 | \$53,346 | \$54,680 |
| TOTAL REVENUES | | | \$3,588,414 | \$3,793,684 | \$4,370,761 | \$4,480,030 | \$4,592,031 | \$4,706,832 | \$4,824,503 | \$4,945,115 | \$5,068,743 | \$5,195,462 |
| OPERATION EXPENSES | | | | | | | | | | | | |
| Pre-opening Expenses | | | \$157,388 | | | | | | | | | |
| Departmental Expenses | | | | | | | | | | | | |
| Room | 25% | 24% | \$482,895 | \$515,170 | \$551,565 | \$565,354 | \$579,488 | \$593,975 | \$608,824 | \$624,045 | \$639,646 | \$655,637 |
| Cabins | 20% | 20% | \$124,246 | \$127,352 | \$145,854 | \$149,500 | \$153,238 | \$157,069 | \$160,996 | \$165,020 | \$169,146 | \$173,375 |
| Food & Beverage | 67% | 65% | \$563,290 | \$599,030 | \$682,711 | \$699,779 | \$717,273 | \$735,205 | \$753,585 | \$772,425 | \$791,735 | \$811,529 |
| Other | 4% | 4% | \$2,995 | \$3,167 | \$3,719 | \$3,812 | \$3,908 | \$4,005 | \$4,105 | \$4,208 | \$4,313 | \$4,421 |
| Sub-Total Departmental Undistributed | | | \$1,330,814 | \$1,244,719 | \$1,383,849 | \$1,418,445 | \$1,453,906 | \$1,490,254 | \$1,527,510 | \$1,565,698 | \$1,604,840 | \$1,644,961 |
| Administrative & General | 8.8% | 8.8% | \$316,857 | \$334,982 | \$385,938 | \$395,587 | \$405,476 | \$415,613 | \$426,004 | \$436,654 | \$447,570 | \$458,759 |
| Marketing | 6.6% | 6.6% | \$235,041 | \$248,486 | \$286,285 | \$293,442 | \$300,778 | \$308,297 | \$316,005 | \$323,905 | \$332,003 | \$340,303 |
| Franchise Fees | 0.7% | 0.7% | \$24,760 | \$26,176 | \$30,158 | \$30,912 | \$31,685 | \$32,477 | \$33,289 | \$34,121 | \$34,974 | \$35,849 |
| Energy/Utilities | 3.2% | 3.2% | \$114,829 | \$121,398 | \$139,864 | \$143,361 | \$146,945 | \$150,619 | \$154,384 | \$158,244 | \$162,200 | \$166,255 |
| Property Operations & Maintenance | 5.2% | 5.2% | \$186,956 | \$197,651 | \$227,717 | \$233,410 | \$239,245 | \$245,226 | \$251,357 | \$257,641 | \$264,082 | \$270,684 |
| Sub-Total Undistributed | | | \$878,444 | \$928,694 | \$1,069,962 | \$1,096,711 | \$1,124,129 | \$1,152,232 | \$1,181,038 | \$1,210,564 | \$1,240,828 | \$1,271,849 |
| Waterpark | | | \$405,000 | \$415,125 | \$425,503 | \$436,141 | \$447,044 | \$458,220 | \$469,676 | \$481,418 | \$493,453 | \$505,790 |
| Subtotal Operational Expenses | | | \$2,614,258 | \$2,588,538 | \$2,879,314 | \$2,951,297 | \$3,025,080 | \$3,100,707 | \$3,178,224 | \$3,257,680 | \$3,339,122 | \$3,422,600 |
| OTHER EXPENSES | | | | | | | | | | | | |
| Management Fees (% Total Revs.) | 2% | | \$71,768 | \$75,874 | \$87,415 | \$89,601 | \$91,841 | \$94,137 | \$96,490 | \$98,902 | \$101,375 | \$103,909 |
| Insurance (% of Total Revs.) | 1.5% | | \$53,826 | \$56,905 | \$65,561 | \$67,200 | \$68,880 | \$70,602 | \$72,368 | \$74,177 | \$76,031 | \$77,932 |
| Property Tax (% of Total Revs.) | 0.0% | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Land Lease (% of Total Revs.) | 0% | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Replacement Reserve (% Total Revs.) | 3% | | \$107,652 | \$113,811 | \$131,123 | \$134,401 | \$137,761 | \$141,205 | \$144,735 | \$148,353 | \$152,062 | \$155,864 |
| Subtotal Other Charges | | | \$233,247 | \$246,589 | \$284,099 | \$291,202 | \$298,482 | \$305,944 | \$313,593 | \$321,432 | \$329,468 | \$337,705 |
| TOTAL EXPENSES | | | \$2,847,505 | \$2,835,127 | \$3,163,414 | \$3,242,499 | \$3,323,562 | \$3,406,651 | \$3,491,817 | \$3,579,112 | \$3,668,590 | \$3,760,305 |
| NET OPERATING INCOME | | | \$740,909 | \$958,557 | \$1,207,348 | \$1,237,531 | \$1,268,470 | \$1,300,181 | \$1,332,686 | \$1,366,003 | \$1,400,153 | \$1,435,157 |
| EQUITY PAID | | (Year -1) | \$0 | \$0 | | | | | | | | |
| ANNUAL DEBT SERVICE | | | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 |
| NET CASH FLOW | | | (\$6,126,000) | (\$682,035) | (\$464,388) | (\$215,597) | (\$185,413) | (\$154,475) | (\$122,763) | (\$90,259) | (\$56,942) | \$12,212 |
| Net Proceed from Reversion | | | | | | | | | | | | \$3,851,786 |
| Cash Flow After Reversion | | | (\$6,126,000) | (\$682,035) | (\$464,388) | (\$215,597) | (\$185,413) | (\$154,475) | (\$122,763) | (\$90,259) | (\$56,942) | \$3,863,998 |
| Cumulative Cash Flow | | | (\$6,126,000) | (\$682,035) | (\$1,146,423) | (\$1,362,020) | (\$1,547,434) | (\$1,701,908) | (\$1,824,672) | (\$1,914,930) | (\$1,971,872) | \$1,869,334 |
| Internal Rate of Return | | | | | | | | | | | | N/A |
| Net Present Value | 10% | | | | | | | | | | | (\$50,466) |

Cash Flow Analysis, Honey Creek Lodge & Conference Center - High Scenario

| | Assumptions 1-2 | Assumptions 3-10 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--------------------------------------|-----------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Key Performance Indicators | | | | | | | | | | | | |
| Lodge Rooms | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 |
| Occupancy % | 57%-61% | 61% | 57% | 59% | 61% | 61% | 61% | 61% | 61% | 61% | 61% | 61% |
| Room Nights Sold | | | 22,469 | 23,258 | 24,046 | 24,046 | 24,046 | 24,046 | 24,046 | 24,046 | 24,046 | 24,046 |
| Average Room Rate (Total) | \$120.00 | \$130.00 | \$120.00 | \$123.00 | \$130.00 | \$133.25 | \$136.58 | \$140.00 | \$143.50 | \$147.08 | \$150.76 | \$154.53 |
| Non-Lodge Waterpark Visits | 15,000 | 20,000 | 15,000 | 15,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Admission | \$13.00 | \$15.00 | \$13.00 | \$13.33 | \$15.00 | \$15.38 | \$15.76 | \$16.15 | \$16.56 | \$16.97 | \$17.40 | \$17.83 |
| REVENUE | | | | | | | | | | | | |
| Room Revenue | | | \$2,696,328 | \$2,860,709 | \$3,126,006 | \$3,204,156 | \$3,284,260 | \$3,366,367 | \$3,450,526 | \$3,536,789 | \$3,625,209 | \$3,715,839 |
| Cabin Revenue | | | \$945,350 | \$968,984 | \$1,077,024 | \$1,103,949 | \$1,131,548 | \$1,159,837 | \$1,188,833 | \$1,218,554 | \$1,249,017 | \$1,280,243 |
| Food & Beverage | 40% | 40% | \$1,078,531 | \$1,144,284 | \$1,250,402 | \$1,281,662 | \$1,313,704 | \$1,346,547 | \$1,380,210 | \$1,414,716 | \$1,450,083 | \$1,486,336 |
| Conference Center - Daily Events | | | \$135,000 | \$138,375 | \$219,375 | \$224,859 | \$230,481 | \$236,243 | \$242,149 | \$248,203 | \$254,408 | \$260,768 |
| Other Revenues | 3% | 3% | \$99,797 | \$105,201 | \$115,321 | \$118,204 | \$121,159 | \$124,188 | \$127,292 | \$130,475 | \$133,737 | \$137,080 |
| Waterpark - Daily Visits | | | \$195,000 | \$199,875 | \$300,000 | \$307,500 | \$315,188 | \$323,067 | \$331,144 | \$339,422 | \$347,908 | \$356,606 |
| Food & Beverage -Daily Visits | 23% | 23% | \$44,850 | \$45,971 | \$69,000 | \$70,725 | \$72,493 | \$74,305 | \$76,163 | \$78,067 | \$80,019 | \$82,019 |
| TOTAL REVENUES | | | \$5,194,856 | \$5,463,399 | \$6,157,128 | \$6,311,056 | \$6,468,832 | \$6,630,553 | \$6,796,317 | \$6,966,225 | \$7,140,381 | \$7,318,890 |
| OPERATION EXPENSES | | | | | | | | | | | | |
| Pre-opening Expenses | | | \$227,846 | | | | | | | | | |
| Departmental Expenses | | | | | | | | | | | | |
| Room | 25% | 24% | \$674,082 | \$715,177 | \$750,241 | \$768,997 | \$788,222 | \$807,928 | \$828,126 | \$848,829 | \$870,050 | \$891,801 |
| Cabins | 20% | 20% | \$189,070 | \$193,797 | \$215,405 | \$220,790 | \$226,310 | \$231,967 | \$237,767 | \$243,711 | \$249,803 | \$256,049 |
| Food & Beverage | 67% | 65% | \$834,070 | \$880,911 | \$985,946 | \$1,010,595 | \$1,035,859 | \$1,061,756 | \$1,088,300 | \$1,115,507 | \$1,143,395 | \$1,171,980 |
| Other | 4% | 4% | \$4,532 | \$4,762 | \$5,490 | \$5,628 | \$5,768 | \$5,912 | \$6,060 | \$6,212 | \$6,367 | \$6,526 |
| Sub-Total Departmental | | | \$1,929,601 | \$1,794,647 | \$1,957,082 | \$2,006,010 | \$2,056,160 | \$2,107,564 | \$2,160,253 | \$2,214,259 | \$2,269,616 | \$2,326,356 |
| Undistributed | | | | | | | | | | | | |
| Administrative & General | 8.8% | 8.8% | \$458,706 | \$482,418 | \$543,674 | \$557,266 | \$571,198 | \$585,478 | \$600,115 | \$615,118 | \$630,496 | \$646,258 |
| Marketing | 6.6% | 6.6% | \$340,263 | \$357,853 | \$403,292 | \$413,374 | \$423,709 | \$434,301 | \$445,159 | \$456,288 | \$467,695 | \$479,387 |
| Franchise Fees | 0.7% | 0.7% | \$35,845 | \$37,697 | \$42,484 | \$43,546 | \$44,635 | \$45,751 | \$46,895 | \$48,067 | \$49,269 | \$50,500 |
| Energy/Utilities | 3.2% | 3.2% | \$166,235 | \$174,829 | \$197,028 | \$201,954 | \$207,003 | \$212,178 | \$217,482 | \$222,919 | \$228,492 | \$234,204 |
| Property Operations & Maintenance | 5.2% | 5.2% | \$270,652 | \$284,643 | \$320,786 | \$328,806 | \$337,026 | \$345,452 | \$354,088 | \$362,940 | \$372,014 | \$381,314 |
| Sub-Total Undistributed | | | \$1,271,701 | \$1,337,440 | \$1,507,265 | \$1,544,947 | \$1,583,570 | \$1,623,159 | \$1,663,738 | \$1,705,332 | \$1,747,965 | \$1,791,664 |
| Waterpark | | | \$405,000 | \$415,125 | \$425,503 | \$436,141 | \$447,044 | \$458,220 | \$469,676 | \$481,418 | \$493,453 | \$505,790 |
| Subtotal Operational Expenses | | | \$3,606,301 | \$3,547,212 | \$3,889,850 | \$3,987,097 | \$4,086,774 | \$4,188,943 | \$4,293,667 | \$4,401,009 | \$4,511,034 | \$4,623,810 |
| OTHER EXPENSES | | | | | | | | | | | | |
| Management Fees (% Total Revs.) | 2% | | \$103,897 | \$109,268 | \$123,143 | \$126,221 | \$129,377 | \$132,611 | \$135,926 | \$139,324 | \$142,808 | \$146,378 |
| Insurance (% of Total Revs.) | 1.5% | | \$77,923 | \$81,951 | \$92,357 | \$94,666 | \$97,032 | \$99,458 | \$101,945 | \$104,493 | \$107,106 | \$109,783 |
| Property Tax (% of Total Revs.) | 0.0% | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Land Lease (% of Total Revs.) | 0% | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Replacement Reserve (% Total Revs.) | 3% | | \$155,846 | \$163,902 | \$184,714 | \$189,332 | \$194,065 | \$198,917 | \$203,890 | \$208,987 | \$214,211 | \$219,567 |
| Subtotal Other Charges | | | \$337,666 | \$355,121 | \$400,213 | \$410,219 | \$420,474 | \$430,986 | \$441,761 | \$452,805 | \$464,125 | \$475,728 |
| TOTAL EXPENSES | | | \$3,943,967 | \$3,902,333 | \$4,290,064 | \$4,397,315 | \$4,507,248 | \$4,619,929 | \$4,735,428 | \$4,853,813 | \$4,975,159 | \$5,099,538 |
| NET OPERATING INCOME | | | \$1,250,889 | \$1,561,066 | \$1,867,064 | \$1,913,741 | \$1,961,584 | \$2,010,624 | \$2,060,889 | \$2,112,412 | \$2,165,222 | \$2,219,352 |
| EQUITY PAID | | (Year -1) | \$6,126,000 | \$0 | \$0 | | | | | | | |
| ANNUAL DEBT SERVICE | | | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 | \$1,422,945 |
| NET CASH FLOW | | | (\$6,126,000) | (\$172,056) | \$138,122 | \$444,119 | \$490,796 | \$538,640 | \$587,679 | \$637,945 | \$689,467 | \$742,277 |
| Net Proceed from Reversion | | | | | | | | | | | | \$11,536,901 |
| Cash Flow After Reversion | | | (\$6,126,000) | (\$172,056) | \$138,122 | \$444,119 | \$490,796 | \$538,640 | \$587,679 | \$637,945 | \$689,467 | \$742,277 |
| Cumulative Cash Flow | | | (\$6,126,000) | (\$172,056) | (\$33,934) | \$410,186 | \$900,982 | \$1,439,621 | \$2,027,300 | \$2,665,245 | \$3,354,712 | \$4,096,989 |
| Internal Rate of Return | | | | | | | | | | | | 11.7% |
| Net Present Value | 10% | | \$7,011,643 | | | | | | | | | |

Cash Flow Analysis, Honey Creek Golf Course - Low Scenario

| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Number of Holes | | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Total Annual Rounds | | 20,000 | 22,000 | 24,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| OPERATING REVENUES | | | | | | | | | | | |
| | Ave. Revenue/Round (\$) | | | | | | | | | | |
| Greens Fee Revenues | \$40.00 | \$800,000 | \$902,000 | \$1,008,600 | \$1,076,891 | \$1,103,813 | \$1,131,408 | \$1,159,693 | \$1,188,686 | \$1,218,403 | \$1,248,863 |
| Driving Range | \$2.00 | \$40,000 | \$45,100 | \$50,430 | \$53,845 | \$55,191 | \$56,570 | \$57,985 | \$59,434 | \$60,920 | \$62,443 |
| Food and Beverage | \$6.00 | \$120,000 | \$135,300 | \$151,290 | \$161,534 | \$165,572 | \$169,711 | \$173,954 | \$178,303 | \$182,760 | \$187,329 |
| Merchandise / Other | \$4.00 | \$80,000 | \$90,200 | \$100,860 | \$107,689 | \$110,381 | \$113,141 | \$115,969 | \$118,869 | \$121,840 | \$124,886 |
| TOTAL | | \$1,040,000 | \$1,172,600 | \$1,311,180 | \$1,399,958 | \$1,434,957 | \$1,470,831 | \$1,507,601 | \$1,545,291 | \$1,583,924 | \$1,623,522 |
| OPERATING EXPENSES | | | | | | | | | | | |
| Pre-opening Expenses | | \$50,000 | | | | | | | | | |
| Cost of Sale | | | | | | | | | | | |
| Food & Beverage (% of Sale) | 32% | \$38,400 | \$43,296 | \$48,413 | \$51,691 | \$52,983 | \$54,308 | \$55,665 | \$57,057 | \$58,483 | \$59,945 |
| Pro Shop (% of Sale) | 65% | \$52,000 | \$58,630 | \$65,559 | \$69,998 | \$71,748 | \$73,542 | \$75,380 | \$77,265 | \$79,196 | \$81,176 |
| Course Maintenance (Per Hole) | \$22,000 | \$396,000 | \$405,900 | \$416,048 | \$426,449 | \$437,110 | \$448,038 | \$459,239 | \$470,720 | \$482,488 | \$494,550 |
| Golf and Cart Operations (Per Hole) | \$11,000 | \$198,000 | \$202,950 | \$208,024 | \$213,224 | \$218,555 | \$224,019 | \$229,619 | \$235,360 | \$241,244 | \$247,275 |
| General and Administrative (Per Hole) | \$12,000 | \$216,000 | \$221,400 | \$226,935 | \$232,608 | \$238,424 | \$244,384 | \$250,494 | \$256,756 | \$263,175 | \$269,754 |
| Other (Per Hole) | \$2,000 | \$36,000 | \$36,900 | \$37,823 | \$38,768 | \$39,737 | \$40,731 | \$41,749 | \$42,793 | \$43,863 | \$44,959 |
| Food and Beverage Operations | 35% | \$42,000 | \$47,355 | \$52,952 | \$56,537 | \$57,950 | \$59,399 | \$60,884 | \$62,406 | \$63,966 | \$65,565 |
| Club House Undistributed Expenses (Per Hole) | \$3,000 | \$54,000 | \$55,350 | \$56,734 | \$58,152 | \$59,606 | \$61,096 | \$62,623 | \$64,189 | \$65,794 | \$67,439 |
| TOTAL OPERATING EXPENSES | | \$1,082,400 | \$1,071,781 | \$1,112,486 | \$1,147,427 | \$1,176,113 | \$1,205,515 | \$1,235,653 | \$1,266,545 | \$1,298,208 | \$1,330,663 |
| Replacement Reserve | 3% | \$31,200 | \$35,178 | \$39,335 | \$41,999 | \$43,049 | \$44,125 | \$45,228 | \$46,359 | \$47,518 | \$48,706 |
| NET OPERATING INCOME | | -\$73,600 | \$65,641 | \$159,359 | \$210,532 | \$215,795 | \$221,190 | \$226,720 | \$232,388 | \$238,198 | \$244,153 |
| EQUITY PAID | | | | | | | | | | | |
| | (Year -1) | \$2,512,000 | \$0 | | | | | | | | |
| ANNUAL DEBT SERVICE | | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 |
| NET CASH FLOW | | (\$2,512,000) | (\$448,698) | (\$309,457) | (\$215,740) | (\$164,566) | (\$159,303) | (\$153,908) | (\$148,378) | (\$142,710) | (\$136,901) |
| Net Proceed from Reversion | | | | | | | | | | | \$2,392,697 |
| Cash Flow After Reversion | | (\$2,512,000) | (\$448,698) | (\$309,457) | (\$215,740) | (\$164,566) | (\$159,303) | (\$153,908) | (\$148,378) | (\$142,710) | (\$136,901) |
| Cumulative Cash Flow | | (\$2,512,000) | (\$448,698) | (\$758,156) | (\$973,895) | (\$1,138,461) | (\$1,297,764) | (\$1,451,672) | (\$1,600,050) | (\$1,742,761) | (\$1,879,661) |

| | | |
|-------------------------|-----|-------------|
| Internal Rate of Return | | N/A |
| Net Present Value | 10% | (\$452,711) |

General and Administrative includes:

- Marketing
- Management Fees
- Insurance and legal
- Accounting, services and supplies
- Salaries and benefits

Cash Flow Analysis, Honey Creek Golf Course - High Scenario

| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Number of Holes | | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Total Annual Rounds | | 24,000 | 25,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 |
| OPERATING REVENUES | Ave. Revenue/Round (\$) | | | | | | | | | | |
| Greens Fee Revenues | \$50.00 | \$1,200,000 | \$1,281,250 | \$1,418,344 | \$1,453,802 | \$1,490,147 | \$1,527,401 | \$1,565,586 | \$1,604,726 | \$1,644,844 | \$1,685,965 |
| Driving Range | \$2.00 | \$48,000 | \$51,250 | \$56,734 | \$58,152 | \$59,606 | \$61,096 | \$62,623 | \$64,189 | \$65,794 | \$67,439 |
| Food and Beverage | \$6.00 | \$144,000 | \$153,750 | \$170,201 | \$174,456 | \$178,818 | \$183,288 | \$187,870 | \$192,567 | \$197,381 | \$202,316 |
| Merchandise / Other | \$4.00 | \$96,000 | \$102,500 | \$113,468 | \$116,304 | \$119,212 | \$122,192 | \$125,247 | \$128,378 | \$131,588 | \$134,877 |
| TOTAL | | \$1,488,000 | \$1,588,750 | \$1,758,746 | \$1,802,715 | \$1,847,783 | \$1,893,977 | \$1,941,327 | \$1,989,860 | \$2,039,606 | \$2,090,597 |
| OPERATING EXPENSES | | | | | | | | | | | |
| Pre-opening Expenses | | \$50,000 | | | | | | | | | |
| Cost of Sale | | | | | | | | | | | |
| Food & Beverage (% of Sale) | 32% | \$46,080 | \$49,200 | \$54,464 | \$55,826 | \$57,222 | \$58,652 | \$60,119 | \$61,621 | \$63,162 | \$64,741 |
| Pro Shop (% of Sale) | 65% | \$62,400 | \$66,625 | \$73,754 | \$75,598 | \$77,488 | \$79,425 | \$81,410 | \$83,446 | \$85,532 | \$87,670 |
| Course Maintenance (Per Hole) | \$22,000 | \$396,000 | \$405,900 | \$416,048 | \$426,449 | \$437,110 | \$448,038 | \$459,239 | \$470,720 | \$482,488 | \$494,550 |
| Golf and Cart Operations (Per Hole) | \$11,000 | \$198,000 | \$202,950 | \$208,024 | \$213,224 | \$218,555 | \$224,019 | \$229,619 | \$235,360 | \$241,244 | \$247,275 |
| General and Administrative (Per Hole) | \$12,000 | \$216,000 | \$221,400 | \$226,935 | \$232,608 | \$238,424 | \$244,384 | \$250,494 | \$256,756 | \$263,175 | \$269,754 |
| Other (Per Hole) | \$2,000 | \$36,000 | \$36,900 | \$37,823 | \$38,768 | \$39,737 | \$40,731 | \$41,749 | \$42,793 | \$43,863 | \$44,959 |
| Food and Beverage Operations | 35% | \$50,400 | \$53,813 | \$59,570 | \$61,060 | \$62,586 | \$64,151 | \$65,755 | \$67,398 | \$69,083 | \$70,811 |
| Club House Undistributed Expenses (Per Hole) | \$3,000 | \$54,000 | \$55,350 | \$56,734 | \$58,152 | \$59,606 | \$61,096 | \$62,623 | \$64,189 | \$65,794 | \$67,439 |
| TOTAL OPERATING EXPENSES | | \$1,108,880 | \$1,092,138 | \$1,133,351 | \$1,161,685 | \$1,190,727 | \$1,220,495 | \$1,251,008 | \$1,282,283 | \$1,314,340 | \$1,347,198 |
| Replacement Reserve | 3% | \$44,640 | \$47,663 | \$52,762 | \$54,081 | \$55,433 | \$56,819 | \$58,240 | \$59,696 | \$61,188 | \$62,718 |
| NET OPERATING INCOME | | \$334,480 | \$448,950 | \$572,633 | \$586,948 | \$601,622 | \$616,663 | \$632,079 | \$647,881 | \$664,078 | \$680,680 |
| EQUITY PAID | (Year -1) | \$2,512,000 | | | | | | | | | |
| ANNUAL DEBT SERVICE | | \$0 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 | \$375,098 |
| NET CASH FLOW | | (\$2,512,000) | (\$40,618) | \$73,852 | \$197,534 | \$211,850 | \$226,524 | \$241,564 | \$256,981 | \$272,783 | \$305,582 |
| Net Proceed from Reversion | | | | | | | | | | | \$6,670,667 |
| Cash Flow After Reversion | | (\$2,512,000) | (\$40,618) | \$73,852 | \$197,534 | \$211,850 | \$226,524 | \$241,564 | \$256,981 | \$272,783 | \$6,976,249 |
| Cumulative Cash Flow | | (\$2,512,000) | (\$40,618) | \$33,233 | \$230,768 | \$442,618 | \$669,142 | \$910,706 | \$1,167,687 | \$1,440,470 | \$8,705,699 |
| Internal Rate of Return | | | | | | | | | | | 14.8% |
| Net Present Value | 10% | | | | | | | | | | \$3,665,555 |

General and Administrative includes:

- Marketing
- Management Fees
- Insurance and legal
- Accounting, services and supplies
- Salaries and benefits

Cash Flow Analysis, Honey Creek Equestrian Center - Low Scenario

| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--|-------|----------|-----------|--------|--------|--------|--------|--------|--------|--------|---------|
| Number of horses | 30 | | | | | | | | | | |
| Horse Days per week* | 120 | | | | | | | | | | |
| Average Lesson - hours (2 lessons/day) | 5 | | | | | | | | | | |
| Average Trail Ride - hours | 4 | year 1-3 | year 3-10 | | | | | | | | |
| Average Occupancy (Year round operation) | | 41%-45% | 45% | | | | | | | | |
| Occupancy year round operation | | 36% | 38% | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 40% |
| Year Round HD | 6,240 | 2,246 | 2,371 | 2,496 | 2,496 | 2,496 | 2,496 | 2,496 | 2,496 | 2,496 | 2,496 |

| OPERATING REVENUES | | Ave. Revenue | year 1-3 | year 3-10 | | | | | | | | |
|-----------------------------|----------|--------------|----------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <i>Year Round Operation</i> | | | | | | | | | | | | |
| Revenues per Ride/Hour | | | \$10.00 | \$15.00 | \$67,392 | \$72,914 | \$118,006 | \$120,956 | \$123,980 | \$127,080 | \$130,257 | \$133,513 |
| Revenues per Lesson/Hour | | | \$35.00 | \$40.00 | \$98,280 | \$106,334 | \$131,118 | \$134,396 | \$137,756 | \$141,200 | \$144,730 | \$148,348 |
| Special Events/Other | \$15,000 | | | | \$15,000 | \$15,375 | \$15,759 | \$16,153 | \$16,557 | \$16,971 | \$17,395 | \$17,830 |
| TOTAL REVENUES | | | | | \$180,672 | \$194,623 | \$264,884 | \$271,506 | \$278,293 | \$285,251 | \$292,382 | \$299,691 |

| OPERATING EXPENSES | | Annual Expense | | | | | | | | | | |
|---------------------------------|------------------|----------------|--|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Employee Payroll | \$70,000 | | | | \$70,000 | \$71,750 | \$73,544 | \$75,382 | \$77,267 | \$79,199 | \$81,179 | \$83,208 |
| Horse Care (per horse) | \$1,800 | | | | \$54,000 | \$55,350 | \$56,734 | \$58,152 | \$59,606 | \$61,096 | \$62,623 | \$64,189 |
| General and Administrative | \$75,000 | | | | \$75,000 | \$76,875 | \$78,797 | \$80,767 | \$82,786 | \$84,856 | \$86,977 | \$89,151 |
| Utilities | \$10,000 | | | | \$10,000 | \$10,250 | \$10,506 | \$10,769 | \$11,038 | \$11,314 | \$11,597 | \$11,887 |
| Other | \$20,000 | | | | \$20,000 | \$20,500 | \$21,013 | \$21,538 | \$22,076 | \$22,628 | \$23,194 | \$23,774 |
| TOTAL OPERATING EXPENSES | \$176,800 | | | | \$229,000 | \$234,725 | \$240,593 | \$246,608 | \$252,773 | \$259,092 | \$265,570 | \$272,209 |

| | | | | | | | | | | | | |
|-----------------------------|--|--|--|--|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| NET OPERATING INCOME | | | | | -\$48,328 | -\$40,102 | \$24,290 | \$24,898 | \$25,520 | \$26,158 | \$26,812 | \$27,482 |
|-----------------------------|--|--|--|--|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|

| | | | | | | | | | | | | |
|----------------------------|--|--|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EQUITY PAID | | | | | \$300,000 | | | | | | | |
| ANNUAL DEBT SERVICE | | | | | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 |
| NET CASH FLOW | | | | | (\$393,125) | (\$84,899) | (\$20,506) | (\$19,899) | (\$19,277) | (\$18,639) | (\$17,985) | (\$17,314) |
| Net Proceed from Reversion | | | | | | | | | | | | |
| Cash Flow After Reversion | | | | | (\$393,125) | (\$84,899) | (\$20,506) | (\$19,899) | (\$19,277) | (\$18,639) | (\$17,985) | (\$17,314) |
| Cumulative Cash Flow | | | | | (\$393,125) | (\$478,024) | (\$498,530) | (\$518,429) | (\$537,706) | (\$556,344) | (\$574,329) | (\$591,643) |

| | | |
|--------------------------------|-----|-------------|
| Internal Rate of Return | | N/A |
| Net Present Value | 10% | (\$400,441) |

* Assume a horse must rest 3 days a week

Cash Flow Analysis, Honey Creek Equestrian Center - High Scenario

| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--|----------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|-------------|
| Number of horses | 30 | | | | | | | | | | |
| Horse Days per week* | 120 | | | | | | | | | | |
| Average Lesson - hours (2 lessons/day) | 5 | | | | | | | | | | |
| Average Trail Ride - hours | 4 | year 1-3 | year 3-10 | | | | | | | | |
| Average Occupancy (Year round operation) | | 41%-45% | 45% | | | | | | | | |
| Occupancy year round operation | | 46% | 48% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Year Round HD | 6,240 | 2,870 | 2,995 | 3,120 | 3,120 | 3,120 | 3,120 | 3,120 | 3,120 | 3,120 | 3,120 |
| OPERATING REVENUES | | | | | | | | | | | |
| | Ave. Revenue | year 1-3 | year 3-10 | | | | | | | | |
| Year Round Operation | | | | | | | | | | | |
| Revenues per Ride/Hour | | \$20.00 | \$25.00 | \$172,224 | \$184,205 | \$245,846 | \$251,992 | \$258,292 | \$264,750 | \$271,368 | \$278,152 |
| Revenues per Lesson/Hour | | \$45.00 | \$50.00 | \$161,460 | \$172,692 | \$204,872 | \$209,994 | \$215,244 | \$220,625 | \$226,140 | \$231,794 |
| Special Events/Other | \$15,000.00 | | | \$15,000 | \$15,375 | \$15,759 | \$16,153 | \$16,557 | \$16,971 | \$17,395 | \$17,830 |
| GROSS REVENUES | | | | \$348,684 | \$372,272 | \$466,478 | \$478,139 | \$490,093 | \$502,345 | \$514,904 | \$527,776 |
| NET REVENUES | | | | \$348,684 | \$372,272 | \$466,478 | \$478,139 | \$490,093 | \$502,345 | \$514,904 | \$527,776 |
| OPERATING EXPENSES | | | | | | | | | | | |
| | Annual Expense | | | | | | | | | | |
| Employee Payroll | \$70,000 | \$70,000 | \$71,750 | \$73,544 | \$75,382 | \$77,267 | \$79,199 | \$81,179 | \$83,208 | \$85,288 | \$87,420 |
| Horse Care (per horse) | \$1,800 | \$54,000 | \$55,350 | \$56,734 | \$58,152 | \$59,606 | \$61,096 | \$62,623 | \$64,189 | \$65,794 | \$67,439 |
| General and Administrative | \$75,000 | \$75,000 | \$76,875 | \$78,797 | \$80,767 | \$82,786 | \$84,856 | \$86,977 | \$89,151 | \$91,380 | \$93,665 |
| Utilities | \$10,000 | \$10,000 | \$10,250 | \$10,506 | \$10,769 | \$11,038 | \$11,314 | \$11,597 | \$11,887 | \$12,184 | \$12,489 |
| Other | \$20,000 | \$20,000 | \$20,500 | \$21,013 | \$21,538 | \$22,076 | \$22,628 | \$23,194 | \$23,774 | \$24,368 | \$24,977 |
| TOTAL OPERATING EXPENSES | \$176,800 | \$229,000 | \$234,725 | \$240,593 | \$246,608 | \$252,773 | \$259,092 | \$265,570 | \$272,209 | \$279,014 | \$285,990 |
| NET OPERATING INCOME | | \$119,684 | \$137,547 | \$225,884 | \$231,531 | \$237,320 | \$243,253 | \$249,334 | \$255,567 | \$261,957 | \$268,506 |
| EQUITY PAID | | | | | | | | | | | |
| | | \$300,000 | | | | | | | | | |
| ANNUAL DEBT SERVICE | | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 | \$44,797 |
| NET CASH FLOW | | (\$225,113) | \$92,750 | \$181,088 | \$186,735 | \$192,523 | \$198,456 | \$204,537 | \$210,771 | \$217,160 | \$223,709 |
| Net Proceed from Reversion | | | | | | | | | | | \$2,631,354 |
| Cash Flow After Reversion | | (\$225,113) | \$92,750 | \$181,088 | \$186,735 | \$192,523 | \$198,456 | \$204,537 | \$210,771 | \$217,160 | \$2,855,063 |
| Cumulative Cash Flow | | (\$225,113) | (\$132,363) | \$48,725 | \$235,460 | \$427,983 | \$626,439 | \$830,976 | \$1,041,747 | \$1,258,906 | \$4,113,969 |

| | |
|-------------------------|-----------------|
| Internal Rate of Return | 71.8% |
| Net Present Value | 10% \$1,763,299 |

* Assume a horse must rest 3 days a week